AIR INDIA'S LAST CHANCE P.52 UNEQUAL CITIZENS P.60

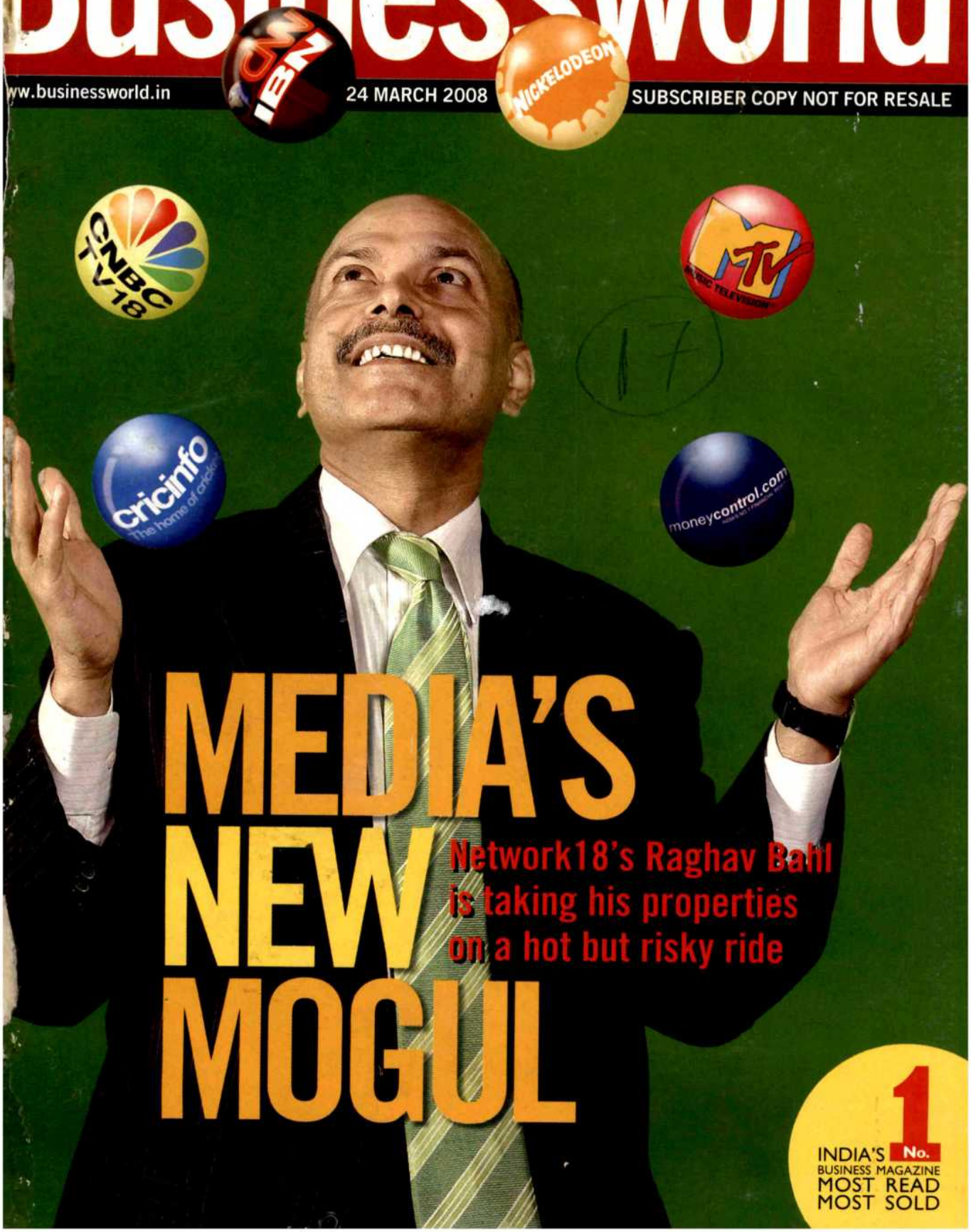
Rs 10

# Businessworld

www.businessworld.in

24 MARCH 2008

SUBSCRIBER COPY NOT FOR RESALE




# MEDIA'S NEW MOGUL

Network18's Raghav Bahl is taking his properties on a hot but risky ride

INDIA'S No. 1 BUSINESS MAGAZINE
MOST READ
MOST SOLD

Pitney Bowes MapInfo

## FROM MORE EFFICIENT OPERATIONS TO HIGHER ROI, YOU CAN LEARN A LOT FROM LOCATION.

Location intelligence can tell you precisely how and where to grow. How to add more wow to customer service. Even how to make your operations more efficient, and your offerings more differentiated. To start listening, talk to the location intelligence professionals at Pitney Bowes MapInfo. Through comprehensive software, expansive data sets, expert consulting and support, we help your entire organisation leverage the unique power of location-centric information for better, more informed decisions. See what location intelligence tells you. For more information contact us at india@mapinfo.com. **Be Location Intelligent®**

**See how location intelligence drives key business decisions.**
**Download *Location Intelligence: The New Geography of Business* at mapinfo.com/location64**

©2008 Pitney Bowes MapInfo Corporation. All rights reserved. MapInfo and the MapInfo logo are trademarks of Pitney Bowes MapInfo Corporation.

COK-H04417-17-P32937

17

SAMSUNG
LCD TV
THE ART OF TECHNOLOGY

52F8 with Full HD
MRP. Rs.3,30,000

# Add excitement to life.

Things change when you buy an F8 Series. Like your definition of detail, depth and clarity. Bring it home today and let its vividly realistic pictures and understated styling take over your senses. After all at 1080p Full HD, this international sensation comes with the highest ever resolution in a TV.

| F8 Series | Mosel Blaque | Bordeaux Arc | Sonoma Trenz | HD Plasma |
|---|---|---|---|---|
| 40F8 - MRP. Rs.1,50,000 | 40M8 - MRP. Rs.1,09,000 | 32R8 - MRP. Rs.57,000 | 32S8 - MRP. Rs.52,000 | 42C9 - MRP. Rs.80,000 |
| 46F8 - MRP. Rs.2,00,000 | 46M8 - MRP. Rs.1,70,000 | 37R8 - MRP. Rs.75,000 | 40S8 - MRP. Rs.79,000 | 42Q9 - MRP. Rs.90,000 |
| 52F8 - MRP. Rs.3,30,000 | 52M8 - MRP. Rs.3,00,000 | 40R8 - MRP. Rs.89,000 | 46S8 - MRP. Rs.1,30,000 | 50Q9 - MRP. Rs.1,70,000 |
| | | | | 63P7 - MRP. Rs.4,50,000 |

**Full HD Technology**
1920 x 1080p Full HD Display gives you the highest ever resolution in a TV

**Higher Contrast Ratio**
Produces seamless, breathtakingly beautiful images

**From the manufacturers of the finest LCD Panels**

25,000:1 | Movie Plus | 3 HDMI | Super Clear Panel | 100Hz Motion Plus

For more details, please visit **www.samsung.com/in**
Samsung India Electronics Pvt. Ltd. 7th & 8th Floor, IFCI Tower, 61, Nehru Place, New Delhi. Tel: 011-41511234.

SAMSUNG

Cheil-0310 R

# Editor's Letter

# News, Good And Bad

**by jehangir s. pocha, editor**

THE MEDIA BUSINESS IS CHARACTERISED by an irony that is often overlooked — while the industry's owners make millions (think of all the media barons around), its employees make a pittance (think of all the ragged and bitter journalists around). It is no wonder, then, that the phenomenon of the journalist-entrepreneur has finally been born.

Raghav Bahl is the best example of this new animal. Savvy and committed, Bahl has used luck and pluck to turn Network18 into a powerhouse that could become one of the only truly converged media enterprises in the world. One reason for Bahl's success: unlike older media moguls, he gives employees generous stock options and encourages them to become intrapreneurs. Established media houses, most soft from their years as regional monopolies, just can't keep up.

It's not all good news. There's clearly a glut in the market. While the US has one national business daily, India will soon have seven! It is almost certain there will be a shakeout across the industry, and it is not clear Network18 has the deep pockets necessary to survive.

There are also larger issues. One reason Network18 owns properties across print, TV, radio, and the internet is that India has few US-style laws preventing media firms from acquiring too much clout over too many mediums. The moral complications this poses for the sensitive media business are compounded by how the industry is increasingly jettisoning an age-old tradition: keeping news independent of commercial interest. With the media world hunting for new business models to replace old ones gutted by the advent of the internet, many Indian media houses, including Network18, have embraced a revenue-generating 'innovation' called private treaties, where media firms take equity in a company in return for promoting it editorially (*BW* does not do this).

This does not augur well for a free press, and the government and courts should act against such practices

P32937


**Businessworld**

**Volume 27 Issue 44.**
**For the week 18-24 March 2008,**
**Released on 17 March 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 2813128
Fax: 28131502

**Bangalore**
No.14, State Bank of India Road, 4th Floo
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 255962

**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*

# Introducing Morrissey pyjamas in Qantas International Business.

Fly non-stop from Mumbai to Sydney, three times a week on Qantas' brand new A330 aircraft and enjoy your complimentary Peter Morrissey pyjamas. For more information simply visit qantas.co.in or call our nearest office.

The Spirit of Australia.
qantas.com

QANTAS

For more details call: Ahmedabad (079) 2644 7235/48, Bangalore (080) 2225 8594, Chennai (044) 2827 8680, Delhi (011) 2332 1344/5/8, Goa (0832) 242 6584, 222 0364, Hyderabad (040) 2329 8498, 6610 2781/2, Jaipur (0141) 238 9038/9, Jallandar (0181) 508 2071/2, Kochi 09846318009, Kolkata (033) 2280 7777, Mumbai (022) 2200 7440, Nagpur (0712) 254 1800, Pune (020) 2613 4295/3801, Vadodara (0265) 235 5542/547

# Feedback your comments

## Causing Some More Blues

Your cover story 'Big Blue's Big Moves' (*BW*, 17 March 2008) was such a blatant and boring puff piece that I can't imagine how it passed your desk as a story, much less a cover! The story had not one iota of new insight or news on IBM or the IT industry globally. Even for a puff piece, it was riddled with inaccuracies and obvious omissions. The sheer scale of IBM operations can't be compared with Indian competitors, it is irresponsible and lazy journalism to try and awe the reader by throwing IBM's global revenues ($98.8 billion) or GTS' revenues ($54.4billion) in their face, as against TCS, Infosys and Wipro. If you're comparing global revenues then you should consider global competitors....

**Rohin Dharmakumar,** via e-mail, a partner at Genesis BM, Publi Relations agency for Accenture in Indi

**WRITE IN AT**
bweditor@abp.in
or post us on
www.businessworld.in

### In The Interest Of The Investor

You did very well to highlight two very important counts ('Decoding ULIPs', *BW*, 17 March 2008). Unlike elsewhere, Indian insurers are in a much better position by virtue of the fact that the country has a well-developed capital market and are given substantial leeway in determining their own investment strategies. Second is that a policyholder cannot understand the growth of his investments in a particular fund in the absence of proper benchmarking. Contrasting as it may sound, the irony is that even with intense sales, competition, choices and outlets, investors appear largely confused and unable to understand investment techniques that are unduly complex and determine the standing of the company. Here is where IRDA is expected to come to their rescue and assist them in making investments that are generally stable.

**Srinivasan Umashankar,** via e-mail

### Lobbies At Play

Reading 'Of FMs And Cabbages' (*BW*, 10 March 2008) was a delightful experience. On the question of why lawyers are not in the service tax net, the view of the seniormost practising lawyer in Kolkata High Court toda is revealing. "We lawyers are too numerous i the Parliament and too powerful for us to (ever) be brought under service tax — no on dares to meddle with us." This brings to min the admission openly made in response to th question that why so many exceptions continue to be there in the income tax law — "There is a lobby behind every exception." Such are the limitations of a democracy.

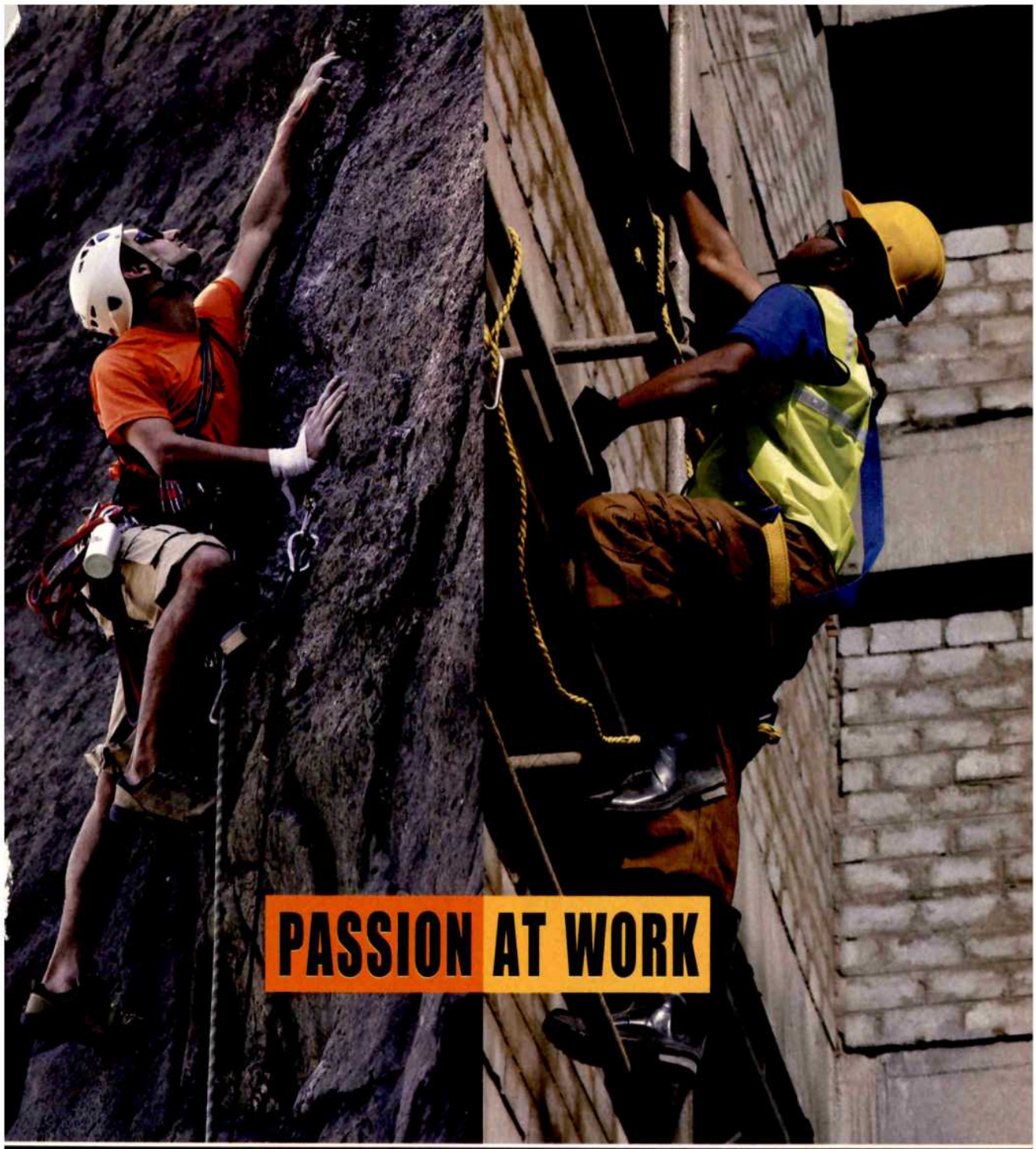
**Alok Sarkar,** via e-ma

### A Moral Hazard

I strongly disagree with your views on the Rs 60,000 crore write-off (*BW*, 10 March 2008 that you endorse so strongly. The FM has taken not just the easy way out but not even a original way out. Governments have been ver lenient with the tax payers' money in the pas using it to write off debt quoting poor farmer as the beneficiary. The problem of moral hazard, which you lightly dismiss, is real and becoming even more entrenched in the syste of agricultural loans. A moral hazard exists and needs to be corrected, not condoned. If not, it will rapidly turn into economic hazard

**Sunil G.,** via e-m

*The letters have been edited for brevity.*




**t B L Kashyap, we are driven by a quest for xcellence in construction engineering.**

e embody the spirit of those who seek out the toughest challenges, order to achieve something extraordinary. This very spirit helps us e shape to your most ambitious projects. Making us one of India's hly respected construction companies. After all, when you're thinking , you need a partner who will rise to the occasion.

ww.blkashyap.com

rporate | Industrial | Hospitality | Retail | Residential

B L KASHYAP

WE BUILD YOUR WORLD

Businessworld 24.03.08

IMAGING: ANTHONY LAWRENCE

COVER STORY

# 34 New Media God?

Raghav Bahl's Network18 is quietly expanding in all directions to build a 360-degree media universe.


**42 Interview**
They are the guerrillas of the media industry, successful guerrillas.


## ON POINT


**11 Welfare State**
Farm loan waiver will act as a direct cash transfer to millions of poor.

**12 Hot Metals**
Skyrocketing metal prices are giving manufacturers sleepless nights.

**16 That's Cricket**
The walls are closing in on Indian Cricke League as everyone is banning them.

**18 FIANCHETTO**
Weekly strategic corporate moves.

**20 QUICK TAKE**
Who's good for India, Clinton or Obam


## IN THE NEWS


**24 Escape Routes**
Sebi's soft approach lets manipulators get away with their acts.

## 26 A Great Deal Of It
Given a subdued Sensex, PE deal flow is unlikely to slow down this year.

## 28 Letter Press
Letters reportedly from DoT to telecom companies are doing the rounds in media.

## IN DEPTH

## 46 Online Advertising
Microsoft presses Enter as it sees a potentially big market about to load.

## 60 Less Equal Citizens
How Indian state fails the people who have chosen to return 'home'.

## SPECIAL REPORT

## 52 Air India
The grit and gumption that go into making the man called Anil Agarwal.

## TECH TALK

## 67 Cold Store
Iceland is an ideal place for data centres, better than the US, the UK, or India.

## 70 Nurture, Not Nature
Culture sculpts the brain, making people think differently about the same problem.

## IN VOGUE

## 73 Saving Theatre
Is awarding a few lakhs to a few winners enough to make theatre viable?

## 78 Well-Oiled
The veggie Bullet is the perfect redemption for environment-conscious bikers.

## 80 Bookmark
Loyalty, within and without; numbed by news; and a soldier writes back.

## COLUMNS

## 22 Ashok V. Desai
Only in our India would someone charged with a crime become the chief of police.

## 32 Nayan Chanda
Bad economic news and public fear of the worse to come fuel protectionism.

## 44 Kenneth Rogoff
Economists argue today's rising global inflation is just a temporary aberration.

## 50 Rajeev Dubey
India's data centre capacity is growing at the fastest pace in Asia.

## 64 Manish Sabharwal
The myth that labour reform is anti-labour is perpetuated in self-interest.

## BW & YOU

## 06 FEEDBACK

## 82 BW OPINION


**Cover Design by Jyoti Thapa Mani**
**Photograph by Amit Verma**

**BWonline**
**businessworld.in**

WEB EXCLUSIVES

Passion For Puzzles

After Rubik's Cube and Sudoku, it's Scrabulous that's gripping the puzzle addicts.

TechnoCool

Lenovo's IdeaPad Y510 is a reasonably priced desktop replacement, and ThinkCentre A61e is an out-and-out small-business PC, says Tushar Kanwar.

Total No. of pages including cover: 84

CFM

# CENTRE FOR FINANCIAL MANAGEMENT
## Director : Dr.Prasanna Chandra

**Announces the following Distance Learning Programmes**

**HIGHLIGHTS**

✓ State of the art curriculum ✓ World class courseware ✓ Web - learning support

## Certified Financial Manager - XIII Batch

*Where Theory meets Practice*

**CONTENTS**

- INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT
- TREASURY AND FOREX MANAGEMENT
- PROJECT APPRAISAL AND FINANCING
- STRATEGIC FINANCIAL MANAGEMENT

**FOR WHOM**

CAs, ICWAs, MBAs, PGDBAs, CSs, CAIIBs and students in these programmes.

**DURATION** : 1 year **FEES** : Rs. 9000 for enrollment upto March 31,2008

**EXAMINATIONS AND QUALIFICATION**

Twice a year. Successful candidates will be awarded the qualification **CERTIFIED FINANCIAL MANAGER**

## Diploma in Finance (DIF) - XI Batch

*Finance for Non-Finance Executives*

**CONTENTS**

- Accounting and Control
- Financial Management

**FOR WHOM**

Non-finance executives in various areas (like marketing, production, purchase, R&D, HR, and entrepreneurs, and software professionals.

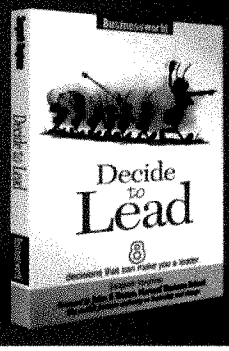
**DURATION** : 6 months **FEES** : Rs. 4000 for enrollment upto March 31,2008.

**EXAMINATIONS AND QUALIFICATION**

Twice a year. Successful candidates will be awarded the qualification **DIPLOMA IN FIN**

**For PROSPECTUS and other details of both the programmes**
**visit us at www.cfm-india.com**
**Email : info@cfm-india.com ☎ 080 - 2659 7634, 2659 5183, M-98452-32705**

# NINE DECISIONS CAN MAKE YOU A LEADER. THE FIRST ONE IS TO BUY THIS BOOK.




By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order of Businessworld Decide to Lead, fill this form & mail it to us:**

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____ Tel.: _____ Email.: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ For 5 copies & above Rs._____ (10% bulk discount)

DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐

Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐

C.V.V. No. ☐☐☐ (last 3 digits on the signature panel of Card) Signature _____ Date _____

Mail this coupon along with DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 11(
Ph: 011-23702170, e-mail:- businessworldsubscriptions@abpmail.com. Please allow a period of 4-6 weeks for delivery.

**Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Arvind Patil, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: R. Sudh Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.**

For trade enquiry please contact UBSPD branches at- Mumbai-56376922, Bhopal-5203183, Bangalore-22253903, Chennai-23746222, Ernakulum-2353901, Kolkata-22521821, Patna-2672856, Lucknow-229 Pune-4028920, Hyderabad-23262573, New Delhi-23273601

FARM LOAN WAIVER

# Hopes And Sops

**This is the best way to hand out people welfare schemes**

SUBHABRATA DAS

**GREEN PASTURES:** The waiver can act as a direct cash transfer for millions of poor farmers

THE FINANCE MINISTER's (FM) shrewd decision to waive small farmer loans may end up costing the nation much less than the Rs 60,000 crore earlier estimated. The FM says since many of the loans have already gone bad, the government will not be writing them off.

While the waiver is clearly political and certain to be misused, it will act as a direct cash transfer to millions of poor. If welfare is to be handed out, this is the best way to do it. It beats the corporate welfare Delhi and most states have been indulging in, free of substantial criticism from the media and opposition.

Every year, connected persons and firms get sops worth far more than those given to farmers. Privately, officials also fret over the manner in which national resources, from mines to telecom spectrum, are given to companies at deep discounts.

Last week, the headlines fixated on word that three India-based businessmen are among the world's 10 richest men. But what the media failed to point out is the three made their money in highly regulated industries, where mandarins dictate success more than markets — Mukesh Ambani in petrochemicals and petroleum, Anil Ambani in power and telecom, and K.P. Singh in real estate. Wealth creation in open industries has been much lower.

Any anger over Chidambaram's loan waiver should be directed at the Agriculture Ministry and its circle of influencers who have done little to address the growing crisis in India's farmlands for decades. With global food stocks falling, prices are booming, and the entire nation is poised to begin paying the price of our rural mis-governance.

BW *Bureau*

**3.1** billion dollars. The amount Google offered to acquire web-advertising giant DoubleClick

METAL PRICES

# Blowing Hot

**Tight supply from China is the prime reason behind the rising prices**

BLOOMBERG

RISING INPUT COSTS and fears of a demand slump in the world's major markets could already be threatening India's fast-paced growth. Industrial output slowed to 5.3 per cent in January, which was significantly lower than the previous month's revised 7.7 per cent, government data released on 12 March showed. Capital goods lead the decline with a growth of just 2.1 per cent compared with 16.3 per cent a year ago.

Producers are besieged by skyrocketing prices of commodities such as steel, copper, iron ore, coking coal, nickel and aluminium. "It will put manufacturers in a quandary," says Madan Sabnavis, chief economist, NCDEX.

"The auto industry is already feeling stagflation," says Ashok Taneja, president of Shriram Pistons and Rings.

One of the main reasons for metals price rise is supply disruption from China. An unusually disruptive winter has shut down many of its steel, aluminium and copper plants. Speculation from hedge funds and other traders in international commodity markets is adding fuel to the fire.

If the situation continues, 'stagflation' could move from the editorial pages of newspapers to the front page.

*Dinesh Narayanan*

**FEELING THE HEAT:** Manufacturers are the worst-hit as commodity prices hit the roof

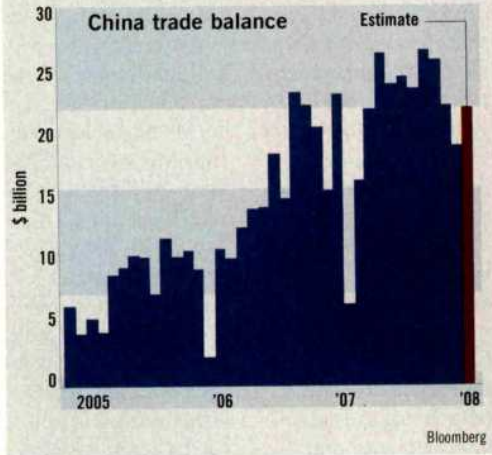
## Global NEWS

BLOOMBERG

**Japan's dilemma:** A political stalemate is blocking Japan from deciding the next chief of Bank of Japan. While the opposition-controlled upper house of parliament has rejected Prime Minister Yasuo Fukuda's candidate Toshiro Muto, the lower house, controlled by Fekuda's party, approved of it.

## CHINA TRADE SLOWS

Slower export growth on weaker US demand may help cool China's economy.




Bloomberg

CLEAN ENERGY FUNDS

## GOING GREEN, AND CLEAN

ENVIRONMENT-CONSCIOUS INVESTORS will soon have reason to cheer. Mumbai-based Benchmark Mutual Fund could soon be launching Benchmark Global Clean Energy Fund. Apart from this clean energy fund, Benchmark is awaiting clearance from Sebi for three other global scheme funds — Benchmark Global Private Equity Fund, Water Fund and Commodities Fund.

Benchmark Global Clean Energy Fund (BGCEF) is the one that will attract the eco-sensitive investors, while the other three — Benchmark Global-Private Equity Fund, Water Fund and Commodities Fund — will be relevant for all those investors wanting an exposure in global niche markets. These global funds will invest primarily in international exchange traded funds (ETFs) that are linked to indices whose constituents are publicly traded green companies.

*Rajesh Gajra*

AP

QUOTE OF THE WEEK **"If Obama was a white man, he would not be in this position."**

— GERALDINE FERRARO, FORMER DEMOCRATIC VICE-PRESIDENTIAL CANDIDATE

## HALTED UPRISING

Delhi policemen arrest activists of the Tibetan Youth Congress during a demonstration to commemorate the 49th Tibetan Women's Uprising Day on 12 March 2008, outside the Chinese Embassy in New Delhi. Several hundred Tibetan exiles pressed ahead with a march protesting Beijing's hosting of the Olympic Games.

AP

**AUTOMOBILE**

# New Spark

**Having lost the patent battle, TVS hits back with a vengeance**

"WE ARE NOT SELLING spark plugs," said a beaming Venu Srinivasan, chairman and managing director of TVS Motor at the re-launch of its 125-cc bike Flame. That may be true but the Chennai-based firm lost Rs 100 crore as it could not sell the bike following the

patent dispute with Bajaj Auto.

Flame comes with an ex-showroom price of Rs 46,000 while Bajaj's XCD, a 125-cc bike using digital twin spark ignition (DTS-i) technology costs Rs 41,000-Rs 42,000. Flame now sports a single spark engine and offers a mileage of 60-65 km per litre.

Bajaj's XCD claims a 105-km per litre mileage under standard test conditions. TVS officials say the delay would impact bottomline adversely this quarter. Starting with 15,000 units a month in March, TVS plans to sell 25,000 units a month during the festival season in October.

TVS expects to garner a 12 per cent market share in the executive segment that accounts for close to 50 per cent of motorcycle sales now. The court battle with Bajaj will go on, says Srinivasan. That means, more sparks in the coming days.

*M. Allirajan*

SME Banking |
usiness Instalment Loan
Lending upto INR 30 lakhs
No collateral/ security required
Call 39404444/ 66014444
Conditions apply.
Standard Chartered

SPORTS

## A BLESSING IN DISGUISE

AP

INDIAN HOCKEY'S failure to qualify for the Olympics is the best thing that could have happened to the game. For, this is the first time in more than three decades that the game — and its sorry state of affairs — has got so much attention.

However, the sport remains prisoner to the whims and fancies of the president of the Indian Hockey Federation, KPS Gill. It is high time the men responsible for ruining the game were replaced.

Hockey could take a cue from the success of professionally-run cricket. Broadcaster ESPN Starsports has done a good job of jazzing up domestic hockey using star players.

It also doesn't make sense to blame cricket's popularity for hockey's misfortune. If this ignominy does not stir Indians into playing hockey with a vengeance, then nothing ever will.

*Feroz Ahmed*

## TOP 10 LISTINGS

TOP HUMAN RIGHTS VIOLATORS

| | |
|---|---|
| 1 | North Korea |
| 2 | Myanmar |
| 3 | Iran |
| 4 | Syria |
| 5 | Zimbabwe |
| 6 | Cuba |
| 7 | Belarus |
| 8 | Uzbekistan |
| 9 | Eritrea |
| 10 | Sudan |

Source: "2007 Country Reports on Human Rights Practices", US Dept of State

AGRICULTURE

# Logical Conclusions

**APEDA's plan to link Indian farmers to the West will only benefit companies**

ABP

**MODEL FARMING:** The existing farm model is riddled with loopholes

THE UPA GOVERNMENT, which has set the stage for elections with agriculture sops in the Union Budget, has gone a step further — to link the Indian farmer with the global market.

Agricultural and Processed Food Products Export Development Authority (APEDA), an autonomous body attached to the Ministry of Commerce, has taken up a 'direct to retailer' export-promotion strategy, aimed at building direct sourcing relationships between the large EU-based food retailers and Indian service providers.

But such a model would only benefit the companies supplying fertilisers, pesticides, seeds and farm machineries, while the farmers get low returns for their produces despite investing huge money.

"It's a myth capital-intensive farming can raise production and productivity," says Krishan Bir Chaudhary, president of Bharatiya Krishak Samaj.

Finance Minister P. Chidambaram in his Budget speech of 2006 mentioned a big plan to set up modern terminal markets through public private partnership route. It is a critical link in the chain connecting the farmers with exporters, to get the legitimate prices of the produce.

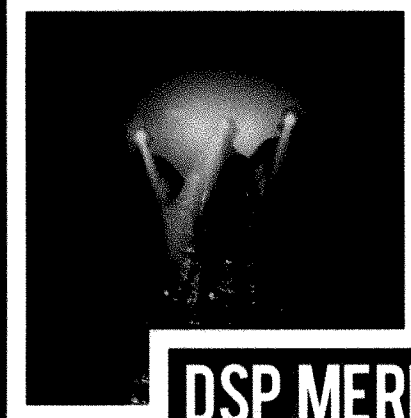
But not one is functional yet; the government spoke of setting up about six. If the government is sincere in arriving at a logical solution to the problem, it needs to change this imposed farm model.

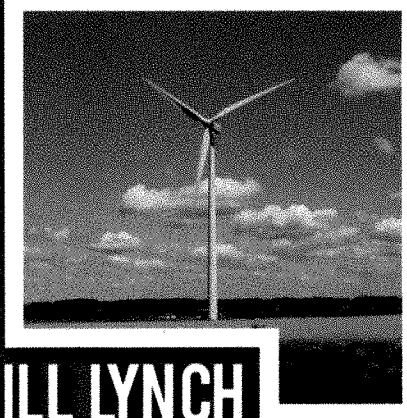
*M. Rajendran*

**Reality Check**

**According to an independent survey, only 15 per cent customers who have bought 8mbps packages of UK's largest broadband supplier BT Wholesale actually get the specified speed**

NFO Closes:
27th March 2008





# DSP MERRILL LYNCH

# NATURAL RESOURCES AND NEW ENERGY FUND

## HARNESS THE FUTURE

GET ACCESS TO INTERNATIONAL EQUITIES

Sms NRNE to 567672855

Visit www.dspmlmutualfund.com

DSP Merrill Lynch
MUTUAL FUND

**Investment Objective:** The primary investment objective of the Scheme is to seek to generate capital appreciation and provide long term growth opportunities by investing in equity and equity related securities of companies domiciled in India whose predominant economic activity is in the (a) discovery, development, production, or distribution of natural resources, viz., energy, mining etc; (b) alternative energy and energy technology sectors, with emphasis given to renewable energy, automotive and on-site power generation, energy storage and enabling energy technologies. The Scheme will also invest a certain portion of its corpus in the equity and equity related securities of companies domiciled overseas, which are principally engaged in the discovery, development, production or distribution of natural resources and alternative energy and/or the units/shares of Merrill Lynch International Investment Funds – New Energy Fund, Merrill Lynch International Investment Funds – World Energy Fund and similar other overseas mutual fund schemes. The secondary objective is to generate consistent returns by investing in debt and money market securities. **Asset Allocation:** 1. Equity and Equity related Securities of companies domiciled in India, and principally engaged in the discovery, development, production or distribution of Natural Resources and Alternative Energy: 65% - 100%; 2. (a) Equity and Equity related Securities of companies domiciled overseas, and principally engaged in the discovery, development, production or distribution of Natural Resources and Alternative Energy (b) Units/Shares of (i) Merrill Lynch International Investment Funds – New Energy Fund (ii) Merrill Lynch International Investment Funds – World Energy Fund and (iii) Similar other overseas mutual fund schemes: 0% - 35%; 3. Debt and Money Market Securities: 0% - 20%. **Terms of Issue:** Rs. 10/- per Unit plus applicable Entry Load (During NFO). Minimum investment - Regular Plan: Rs. 5,000/- and multiples of Re 1/- thereafter, Institutional Plan: Rs 5 crore and multiples of Re 1/- thereafter. Load Structure and Expenses: Entry Load (Regular Plan): 2.25% (For Regular investments <Rs 5 crore during NFO and Continuous Offer); NIL (For Regular investments >= 5 crore during NFO and Continuous Offer); 1% (For SIP investments during Continuous Offer); Entry Load (Institutional Plan): NIL (During NFO and Continuous Offer). Exit Load - Regular Plan: For Holding period < 6 months: 1.00 %; Holding period >= 6months but < 12 months: 0.50%; Holding Period >= 12 months: Nil; Institutional Plan - NIL; For SIP investments (only in Regular Plan): Holding period < 2 years: 1.25 %; Holding period >= 2 years: NIL. Investors shall bear the proportionate recurring expenses of the underlying scheme(s) in which the Scheme will make investment, in addition to the recurring expenses of the Scheme. **Investor Benefits & General Services:** During Continuous Offer, sale (at Purchase Price) and redemption (at Redemption Price) on all Business Days (Redemption normally within 3 Business Days). SIP, SWP, STP (During Continuous Offer) available in the Regular Plan, Nomination facility available. (If the SEBI limit for overseas investments by the schemes of the Fund is expected to be exceeded, the NFO may be closed / subscriptions, switches into the Scheme (during Continuous Offer) may be temporarily suspended / SIP/STP into the Scheme may be terminated). Declaration of NAV for each Business Day by 10 a.m. of the next Business Day. **Statutory Details:** DSP Merrill Lynch Mutual Fund was set up as a Trust by the settlors, DSP Merrill Lynch Ltd. (DSPML) and Merrill Lynch Investment Managers LP, USA. Sponsors: DSPML, DSP HMK Holdings Pvt. Ltd. and DSP ADIKO Holdings Pvt. Ltd. (collectively) (Liability restricted to Rs. 1 lakh). Trustee: DSP Merrill Lynch Trustee Company Pvt. Ltd. Investment Manager: DSP Merrill Lynch Fund Managers Ltd. **Risk Factors:** Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the Scheme's objectives will be achieved. As with any investment in securities, the NAV of Units issued under the Scheme can go up or down depending on the factors and forces affecting capital markets. Past performance of the sponsor/AMC/mutual fund does not indicate the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return or dividend. DSP Merrill Lynch Natural Resources and New Energy Fund is the name of the Scheme and does not in any manner indicate the quality of the Scheme, its future prospects or returns. The Scheme is required to have (i) minimum 20 investors and (ii) no single investor holding>25% of corpus. If the aforesaid point (i) is not fulfilled within the prescribed time, the Scheme will be wound up and in case of breach of the aforesaid point (ii) at the end of the prescribed period, the investor's holding in excess of 25% of the corpus will be redeemed as per SEBI guidelines. **For scheme specific risks, including risks related to investments in MLIIF – WEF, MLIIF – NEF and other similar overseas mutual fund(s), please refer the Offer Document. Please read the Offer Document and KIM (available at www.dspmlmutualfund.com/ISCs/distributors) carefully before investing.**

1522.2008

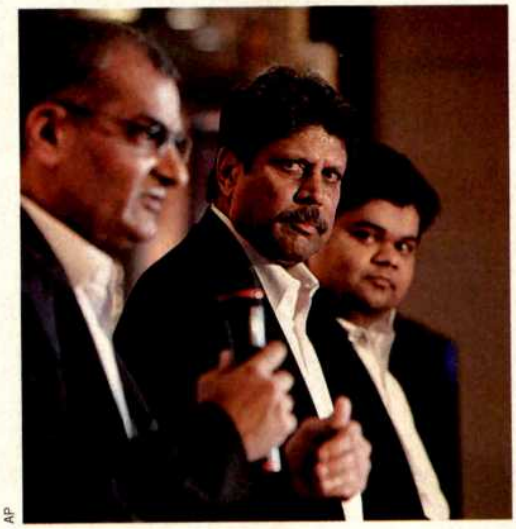
SPORTS

# Just Not Cricket

**Already-troubled ICL is now being squeezed from all quarters**

THE WALLS ARE CLOSing in on Indian Cricket League (ICL) — even as it scores success with finding a title sponsor in Edelweiss Capital, signing superstar cricketers such as Shane Bond, and getting movie stars Amir Khan and Karina Kapoor to associate with the league.

The England & Wales Cricket Board (ECB) has announced that it will not allow cricketers who play in unauthorised cricket tournaments to play in the English county cricket. The Pakistan Cricket Board (PCB) too banned ICL cricketers from domestic cricket last week. India, New Zealand, and Australian cricket authorities have already shut the doors on ICL participants.



AP

**FRUSTRATION:** Some players have already started seeking legal help

With no international cricket, domestic cricket and even domestic cricket in other countries denied to them, cricketers who signed up for ICL have become entirely dependent on this still unproven 'television cricket'.

Some players, such as Australia's Jason Gillespie and New Zealand's Nathan Astle had to retire after signing up with ICL. Gillespie says he will honour his three-year contract with ICL even if his contract with Glamorgan is not renewed next year.

However, players are beginning to get frustrated at this isolation and denial of playing and wage-earning opportunities. Some foreign players have started consulting lawyers to seek a judicial relief in their own countries.

*Feroz Ahmed*

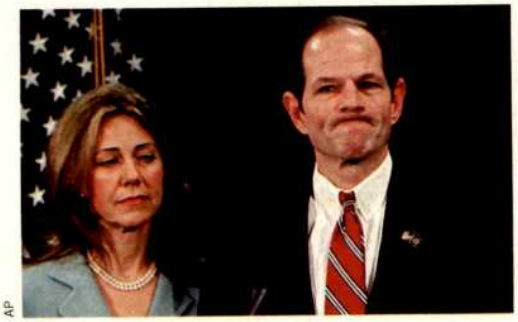
NEW YORK GOVERNOR

# Caught In The Act

**Despite his resignation, Spitzer has left many questions unanswered**

FIVE YEARS AGO, THE mere mention of the name Elliot Spitzer would send Wall Street CEOs into a tizzy. As New York's Attorney General, Spitzer was a fierce crusader against corporate malpractice.

Now, Spitzer's reputation is in tatters.



AP

**KEEPING MUM:** Ever since the scandal broke out, Spitzer has been avoiding the media

Last month, Spitzer, father of three children, had allegedly paid $4,000 to meet a woman in a hotel. The charges were particularly embarrassing as Spitzer repeatedly mentioned ethics and morals during his campaign for governorship.

Spitzer has resigned as governor of New York, but the long-term impact may only be felt in the November US presidential elections. Spitzer had announced his support for Hillary Clinton, who may now face embarrassing questions.

*Pierre Mario Fitter*

Nuclear

## DEAL

**New nuke deals:** Even as its nuclear deal with the US remains stuck in domestic politics, India has finalised the texts of civil nuclear agreements with Russia and France. "The texts of agreement of co-operation in civil nuclear sector have been finalised with the US, France and Russia," Minister of State in the Prime Minister's Office Prithviraj Chavan said in the Lok Sabha.

**0.7** billion dollars. The World Bank's new aid package for Africa.

Selected
Superbrand
INDIA
2006-07
Consumer Validated

No.1
INDIA'S LARGEST READ DAILY

# ONE IS MORE POWERFUL THAN MANY

Readership of Dainik Jagran is greater than any other Publication Group.

दैनिक जागरण

| Publication | Dainik Jagran | Bhaskar Group (Dainik Bhaskar + Divya Bhaskar) | HT Media (HT + Hindustan) | Bennett Coleman & Co. (TOI + ET + MM + Mah Times + NBT + Sandhya Times) | Lokmat Group (Lokmat + Lokmat Samachar + Lokmat Times) | ABP Pvt. Ltd. (ABP + Telegraph) |
|---|---|---|---|---|---|---|
| Total Readership (In crore) | 5. 36 | 3. 58 | 2. 96 | 2. 58 | 2. 29 | 1. 88 |

# Fianchetto The week's strategic moves and the movers who made them

SUBHABRATA DAS

### Expanding footprints

Mumbai-based software firm Mastek has announced that it is acquiring Systems Task Group (STG) International of the US for $29 million.

This acquisition will help Mastek expand its footprints into the US insurance market. STG International is an enterprise solutions provider to the North American property and casualty insurance industry.

### Tatas' $1-billion plan

Tata Motors has announced its plans to raise $1 billion by selling securities in India and overseas. The Mumbai-based company, which is in talks to buy Ford Motor's Jaguar and Land Rover units, will raise the funds in one or more tranches, for its expansion in India and abroad and for strategic acquisitions and alliances.

### Fairchild comes of age

US-based energy-efficient device manufacturer Fairchild Semiconductor has opened its research and development centre in Pune. The new centre will work on design and development of Fairchild's new generation technology-based products such as solar inverters, UPS, lighting, automotive and ballast applications.

BLOOMBERG

### Gitanjali grows vertical

In one sweep, jewellery maker and retailer Gitanjali Gems has acquired two companies — Renaissance Retail Venture and Trinity Watch Co. — through its subsidiary, Gitanjali Lifestyle.

Renaissance — which owns the Lucera brand of silvery jewellery — trades in silver, gold, platinum and other diamond-studded jewellery. Trinity sells watches under its premium brand Iris and also distributes several international watch brands under license.

### IDFC's MF foray

Chennai-based Infrastructure Development Finance Company (IDFC) has forayed into the mutual fund business by acquiring Standard Chartered's asset management business in India for $205 million.

The deal, which is subject to regulatory approvals, is expected to be completed in the second quarter of 2008.

### Cognizant's clinical trial

Chennai-based Cognizant Technologies has bagged a $95-million contract from London based pharmaceutical company AstraZeneca. As per the contract, Cogni-

DEALTRACKER

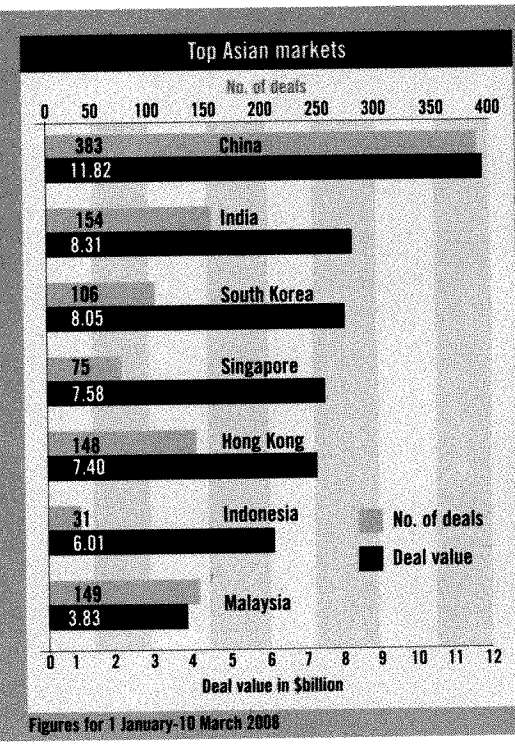
## BW-THOMSON FINANCIAL M&A TRACKER

**February-March** The Asian M&A market saw 1,184 deals worth $58.23 billion as on 10 March 2008. China emerged as the largest market in the region with 383 deals worth $11.82 billion.

Top Indian deals

| TARGET | TARGET NATION | TARGET | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Centurion Bank of Punjab | India | HDFC Bank | India | 2,386.6 |
| Dev Property Development | UK | Indiabulls Real Estate | India | 254.6 |
| Logix Technopark | India | Acacia Real Estate | Bahrain | 69.0 |
| Reunion Industries Inc-Div | US | Everest Kanto Cylinder | India | 64.3 |
| Criticare Systems Inc. | US | Opto Circuits (India) | India | 63.0 |
| Multi Commodity Exchange | India | NYSE Euronext | US | 60.3 |
| Bosch Chassis Systems India | India | Robert Bosch | Germany | 43.5 |
| Advani Hotels & Resorts | India | Fasttrack Impex | India | 23.7 |
| Kalindee Rail Nirman (Engineers) | India | Investor group | India | 18.2 |
| CHD Developers | India | Investor group | India | 10.8 |

Figures for 24 February-8 March 2008



Figures for 1 January-10 March 2008

BLOOMBERG

zant will provide centralised clinical data management services, including data management planning, clinical studies, medical coding, adverse event reconciliation and training for AstraZeneca's global clinical development programmes.

### A real deal

In one of the largest land deals in India, real estate firm BPTP group has won the right to develop 94 acres of prime commercial land in Noida. BPTP bagged the land, auctioned by the Noida Authority, by outbidding three well-known developers DLF, Omaxe, and Ansal Properties and Infrastructure.

BPTP quoted Rs 5,006 crore for the land, which works out to Rs 12,082 per sq. ft against the reserve price of Rs 7,156 per sq ft.

### BMW's Chennai expansion

BMW India has raised the manufacturing capacity of its plant in Chennai to 3,000 cars from 1,700 cars a year. The company started assembling its 3-series and 5-series cars at the $30 million Chennai plant last year. In 2007, BMW sold 1,387 cars, exceeding its initial target of selling 1,000 cars. The Chennai facility will deliver 80 per cent of the 2008 sales target of 2,000 cars.

### Suven gets a new life

Hyderabad-based Suven Life Sciences has signed an agreement with Eli Lilly and Co. for pre-clinical research of molecules. Suven will get research funding and payments of $19 million-23 million for each molecule.

### Dr Reddy's new find

Hyderabad-based Dr Reddy's has formed an alliance with Denmark's 7TM Pharma for drug discovery in the area of metabolic disorders.

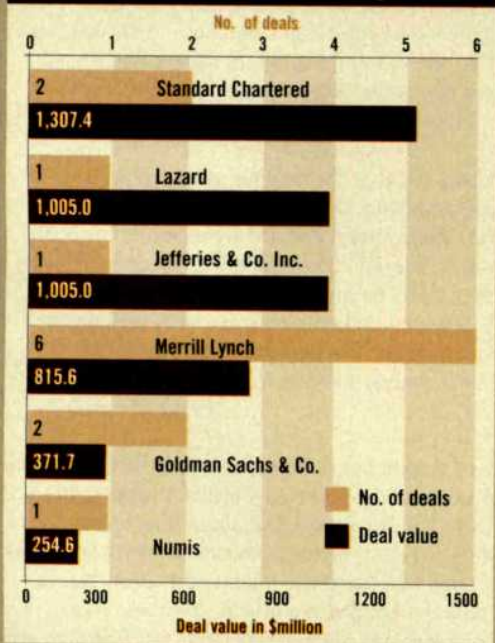
DILEEP PRAKASH

7TM Pharma specialises in metabolic diseases, including obesity, diabetes and cardiovascular diseases. Both the companies will collaborate to identify clinical candidates for preselected targets.

### A futuristic deal

Future Capital Holdings, the financial services arm of the Kishore Biyani-controlled Future Group, has inked a deal with Centrum Capital to have controlling stakes in the latter's foreign exchange and retail broking businesses. Future Group will invest Rs 100 crore in two subsidiaries of Centrum — Rs 75 crore in Centrum Direct and Rs 25 crore in Centrum Wealth Managers.

## India financial advisory rankings




Figures for 1 January-10 March 2008

## Top Asian deals

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Centurion Bank of Punjab | India | HDFC Bank | India | 2,386.6 |
| Borsig Bbetv | Germany | KNM Process Systems | Malaysia | 532.1 |
| Inhwa Enterprise | Singapore | Penton International | Singapore | 485.6 |
| Cape Lambert Iron Ore | Australia | China Metallurgical Constr | China | 373.4 |
| Anhui Publishing Group | China | USTC Chuangxin | China | 258.7 |
| Dev Property Development | UK | Indiabulls Real Estate | India | 254.6 |
| Wuxi Little Swan Co. | China | Guangdong Midea Elec Appl Co | China | 235.5 |
| Mirabell Intl Hldgs | Hong Kong | Belle Intl Holdings | Hong Kong | 191.5 |
| Complant Intl Hldgs | Hong Kong | Jumbo Right Investments | Hong Kong | 164.4 |
| Korea Express Co. | South Korea | Asiana Airlines | South Korea | 156.6 |

Figures for 24 February-8 March 2008

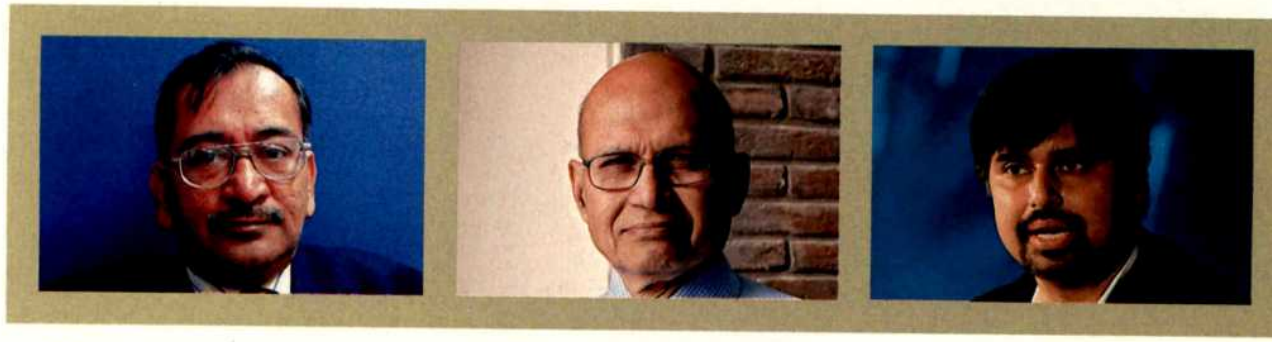
Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently-held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date. League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Log on to www.businessworld.in for the complete list

# Quick Take

# Keeping India's interests in mind, who would be a better President — Clinton or Obama?

**We asked...** Homi Bhabha, Director of the Humanities Center, Harvard University, Ishrat Aziz, President, Association of Indian Diplomats, Nagesh Kumar, Director-General, Risk and Information Systems for Developing Countries, Harjiv Singh, CEO, Gutenberg Communications, R. Venkatesan, Head, Industry Division and Senior Fellow, NCAER, Arun Kumar, Associate Director, KPMG, Rajeev Karwal, Founder and CEO, Milagrow, Sujit Dutta, Senior Fellow, Institute for Defence Studies and Analyses, Sridhar Chandrashekhar, Director Marketing, Virtusa Corp, Eire Gonsalves, Former Ambassador to the European Union



"Clinton is a better candidate because she has a more relaxed stance on outsourcing."

**R. Venkatesan, Sr Fellow, National Council of Applied Economic Research**

"Obama, because we have already seen Bill Clinton and Hillary won't be much different."

**Ishrat Aziz, President, Association of Indian Diplomats**

"Both are intelligent people and understand the importance of India in the global order."

**Rajeev Karwal, Founder and CEO, Milagrow**

## Clinton 30%

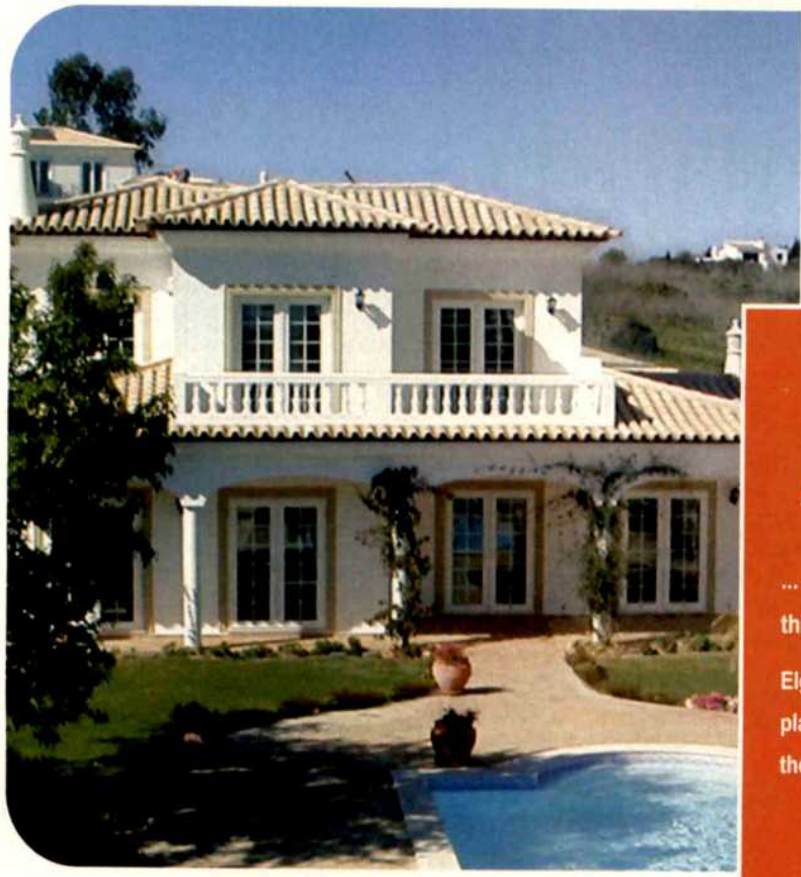
**CLINTON BECAUSE:** It is almost certain that in the upcoming Presidential elections in the US, the Democratic Party is likely to come to power. But who, out of the top two Democrat contenders, Hillary Clinton and Barack Obama, will get to represent the party is still a subject of hot debate, both within the US and outside of it. In India, in particular, the debate is about who, of the two, is likely to have an India-friendly view when it comes to establishing trade relations with the East. Clinton, because of her past association with India and the Indian-American community in the US, was a favourite with some of our respondents. Also, the fact that she hasn't taken a firm stance against outsourcing is another reason why some would like to see her as the next US President.

## Obama 20%

**OBAMA BECAUSE:** Some of our respondents felt that Obama indeed has shown signs of a deeper understanding of international relations and could possibly be a better President than Clinton as far as building healthy Indo-US relations is concerned. Interestingly, a major argument in favour of Obama is a corollary of an argument against Clinton, that is, she will mostly be a shadow of her husband, Bill Clinton, and what she might do as President won't be much different from what he did during his tenure. Significant improvements in Indo-US relations, in terms of better trade relations and the flagship nuclear deal, were seen only after Clinton's tenure got over and the Republicans came to power. Obama, on the other hand, is expected to have fresh perspectives on trade relations with India.

## Can't say 50%

**CAN'T SAY BECAUSE:** Despite the hype around both the Democratic candidates in the US, many in India still can't make up their mind about who would be a better President keeping in mind India's interests. The reason for this is that neither of them has been very vocal about their stance regarding relations with India. While outsourcing is certainly one key factor to consider, there are several other aspects to Indo-US relations, such as the nuclear deal, free trade agreements, etc. Besides, one can't predict who is more likely to maintain a balance between US's relations with China and India. Although, the Democratic Party is driven by a protectionist ideology, some respondents felt that both are intelligent enough o realise that protectionism is not too desirable in today's globalised world.



# ELGI

Think Long Run

P32937

## AIR POWER...

... that is behind the finish of a third of America's swanky villas.

Elgi's air compressor technology plays a key role in core industries the world over.

**ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS**

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather ▸ Automotive ▸ Engineering ▸ Chemicals

**Oil-free Rotary Compressors**
**Oil-flooded Rotary Compressors**
**Portable Rotary Compressors**
**Oil-flooded & Oil-free Reciprocating Compressors**

## ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

**Branch Offices:** Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

**Overseas Offices:** Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

**Toll Free Customer Care Number 1800 - 425 - 3544**

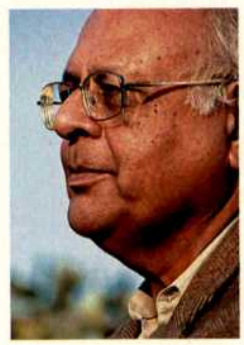
iB&W/ELGI/08/06

# Our Nation's Genius

**by ashok v. desai**

OUR RULERS REWARD THEIR ACOLYTES IN THE bureaucracy with posts in regulatory agencies; acumen or knowledge is immaterial. This is why the regulators have not earned respect or built up a consistent record of governance. This is particularly true of Sebi. From S.S. Nadkarni to G.N. Bajpai, it had undistinguished chairmen.

This time, however, the country was lucky. Of the three people in the running, two were good. Jaimini Bhagwati is known to have a brain. C.B. Bhave had been deputy to G.V. Ramakrishna from 1990 to 1994, and so knows what the job involves. Since then he has been on the watch as Chairman and MD of National Securities Depository Limited. Given these options, it was difficult for those in power to make a bad choice.



**Only in our incredible India would someone charged with a crime become the chief of police**

It is reported that Bhave did not ask for the job and had to be persuaded by the finance minister. It shows P. Chidambaram in surprisingly good light, and also perhaps reveals something about what he thinks about the direction Sebi has taken. Under weak chairmen, Sebi was filled up with second-rate bureaucrats seconded from third-rate services. Some of them came from the revenue services, where they were indoctrinated into harassing and milking companies; they applied their suspicious, paranoid minds to the work of Sebi. The result is that Sebi has become an unpredictable blunderbuss, and has forgotten its basic duty, which is to develop the capital market. It suddenly woke up to this duty in Damodaran's last days, when it found that Indian companies were raising capital abroad, and that foreign stock exchanges were growing rich on Indian derivatives. But for that, Reserve Bank had a perfect solution: ban capital floats abroad; off with their heads, said the Queen of Banks.

The reason Bhave is said to have given for not wanting the chairmanship of Sebi was that NSDL had been punished by Sebi for having been the share depository of people who had made multiple applications for the retail quota of shares in Yes Bank and IDFC. A clever Gujarati woman, Roopalben Panchal, had opened thousands of bank accounts, made multiple applications for shares in these companies, and when they were allotted to her, sold them, making immediate profits, since Sebi ensures that the allotment price of share issues would be below their market price once they are listed. Sebi fined NSDL, saying it should have discovered the multiple applications on its own. NSDL appealed to the Securities Appellate Tribunal against the punishment. The SAT quashed the punishment on the ground that NSDL had not been given a hearing by Sebi before being punished. Those in Delhi who appointed Bhave said that he would be chairman in everything, except in deciding on the case against NSDL.

This can happen only in India. Imagine an energetic detective called Gerry Anderson; he won his spurs pursuing and punishing companies that evaded income tax. Lord Cholmondley, the minister, who like Gerry was a Scotsman, gave him a raise and sent him to the Fraud Squad. He soon proved his worth. He noticed that Sally Rumpling had won a big prize in a lottery. He found that thousands of lottery tickets bore her name. He suspected that the tickets she was buying were fake. He found that all her tickets had been sold by the same agency Chabra, owned by a chap called Charles Brave. He imposed a big fine on Chabra. When he went to the office the next day, he found that he had got a new chief of police — no other than Charles Brave. He walked into the chief's office and asked him, "You, Charlie! How on earth did you become the chief? You should be the chief of thieves. Didn't the minister ever look into your file?" "Well, son!" said Brave, "I asked his Lordship myself. And he said I would be chief of police for all cases of fraud except my own. You will be in sole charge of my case. But for everything else, I will be your chief." Befuddled, Gerry went to the Lord and asked him, "Sir! You have made a criminal my boss. How do you expect me to work under him? And how do you expect me to catch thieves?" "Don't worry, Gerry!" said the minister, "If it bothers you, I will find you an even better job. How would you like to go to our High Commission in Delhi as our chief spy in that colourful country?"

Substitute the right names — Chidambaram for Lord Cholmondley, Anantharaman for Anderson, Rupalben for Rumpling, Bhave for Brave — and you have a more or less faithful account of what has happened in our incredible India. And put the original names back in, and you will see why it could not happen anywhere else.

---

*The author is Consultant Editor of Businessworld.*
*ashok.desai@gmail.com*

www.hdfc.com

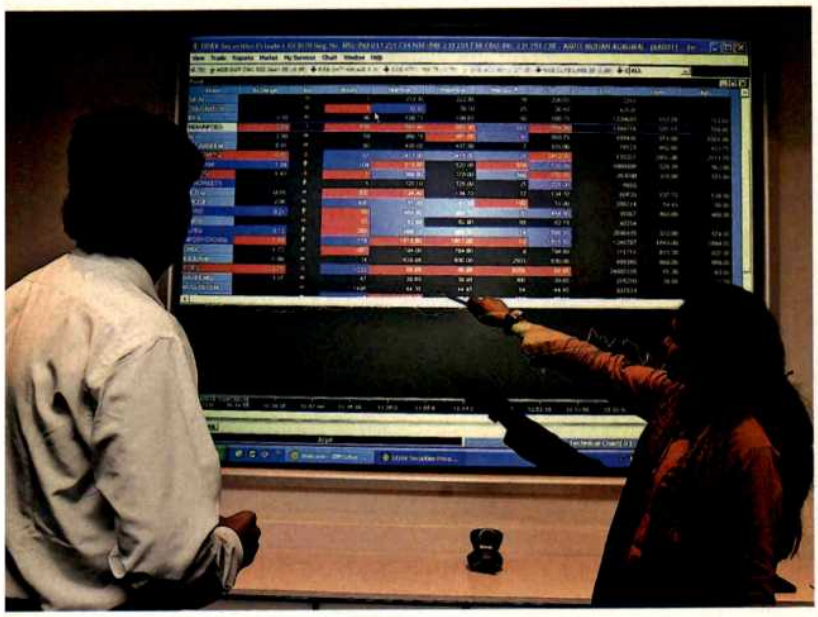
# I'm empOwered
## to be with you, right through.

Trust your dream home to the enthusiastic service providers at HDFC. Empowered to offer complete customised home solutions, Sohel and everyone at HDFC is ever ready to assist you and look after your needs. Be it the home loans department or property search and guidance cell or even the legal & technical counselling section, our expertise and commitment will leave you rest assured. Backed by speedy and efficient processes and HDFC's service standards; our team will ensure the best for you. At HDFC, you can count on us to be with you, right through.

HDFC
HOME LOANS
WITH YOU, RIGHT THROUGH

Talk to us today. SMS: HDFCHOME to 56767

**HMEDABAD:** Tel: 6630 7000. **BANGALORE:** Tel: 4118 3000. **BHOPAL:** Tel: 443 3333. **BHUBANESHWAR:** Tel: 253 4335/4555, 653 2020. **CHANDIGARH:** el: 398 9123. **CHENNAI:** Tel: 2859 9300. **COIMBATORE:** Tel: 430 1100, 439 9881-82. **GUWAHATI:** Tel: 266 6000. **HYDERABAD:** Tel: 6647 5001. **INDORE:** el: 443 3333, 422 3300. **JAIPUR:** Tel: 98750 88888, 515 0888. **KOCHI:** Tel: 93877 66666, 301 1200. **KOLKATA:** Tel: 2321 5060. **LUCKNOW:** Tel: 398 9123. **IUMBAI:** Tel: 6663 6000. **NAGPUR:** Tel: 256 6000. **NASHIK:** Tel: 660 6000. **NEW DELHI:** Tel: 4111 5111. **PUNE:** Tel: 2550 5000. **THIRUVANANTHAPURAM:** el: 325 5000. **VADODARA:** Tel: 230 8400. *Conditions apply*



SANJIT KUNDU

# The Getaway Game

**by Rajesh Gajra**

**Sebi's treatment of rogue players is just not enough**

PLAYERS IN THE SECURITIES MARKET ARE FACING A fate similar to those in a game of snakes and ladders. Penny stock manipulators today pray luck be on their side, given the different positions the Securities and Exchange Board of India (Sebi) takes on their alleged involvement in rigging share prices. And manipulators here include promoters themselves who, using a complex web of operators and brokers, play on their own companies' stocks.

Take, for instance, the case of Mega Corporation. On 28 February, Sebi issued a fresh order revising its earlier interim and final orders of October 2005 and July 2006, respectively. While some of those indicted earlier escaped the regulator's wrath, the murky details of price manipulation by the rest were re-affirmed.

In the second year of a prolonged bull run, Sebi had acted upon extreme price rises in small-cap stocks with a market capitalisation of under Rs 200 crore. Investigations in the second and third quarter of 2005 led Sebi to issue, between September 2005 and January 2006, interim ex parte orders against promoters of — and entities trading in — nine companies: Minal Engineering, Konkan Tyres, Interlink Financial Services (IFSL), Ind Tra Deco, Mega Corporation, Eltrol, Karuna Cables, Prime Property Development and Millennium Cybertech.

**OFF THE HOOK:** More often than not, manipulators get away with their acts

In its 2005-06 annual report, Sebi stated that the modus operandi of manipulators was the same in all the cases. "These companies have been making a flurry of seemingly price-sensitive announcements detailing proposed corporate developments... the promoter shareholding decreased following such announcements. ...promoters took advantage of the price rise and benefited from it."

Mega Corp. was one case where, Sebi noted, "the absence of widespread investor interest in the share of the company since September 2002 to December 2004, coupled with the sudden increase in share price and volume since January 2005, the quantum jump in profit from non-core business activity... together with a flurry of corporate announcements and also managing a web of off-market deals to transfer large quantities of shares by the entities connected to the company to a group of interconnected clients, who in turn dealt heavily in the market and thereby contributed to the sudden rise in trading volumes and the corresponding price rise, clearly indicate a careful... orchestration... by the promoters, to make personal gains at the expense of investors..."

Sebi followed it up with final orders in four cases — Minal, IFSL, Mega Corporation and Karuna Cables — confirming its interim orders. But two freshly-revised orders on 28 February in the case of Mega Corp, following a direction by the Securities Appellate Tribunal to retry the case, have completely diluted its own strictures.

The regulator has now let promoters and non-executive directors off the hook. In July 2006, it had confirmed the findings of the interim order against the company's promoters, directors, and connected entities and operators. Now, just one whole-time director and some entities are on the wrong side of the law.

While the number of cases itself is not much, Sebi's final orders in the remaining cases will test its own credibility and efficacy in bringing rogue players to book. "We have consistently suggested to Sebi that it should strengthen its investigation team and go for the big-ticket cases instead of the small ones," says Kirit Somaiya, who heads the Mumbai-based Investor Grievances Forum. There are un-confirmed reports of Sebi's recent investigation into the price rise of top large-cap index stocks in the second half of last year. But given the track record, it remains to be seen whether the big fish will be caught in the net.

*rajesh.gajra@abp.in*

Finnair's commitment to India gets stronger. The world's 5th oldest airline gears up to extend its wings to 13 flights a week from India to 50+ destinations in Europe* via Helsinki. The Helsinki airport is rated amongst the best in Europe. Award-winning wine cellar and cuisine, including Indian meals, lie-flat seats and in-flight entertainment make Finnair undoubtedly one of the world's finest airlines.

oneworld

*Including Amsterdam, Barcelona, Berlin, Brussels, Budapest, Copenhagen, Düsseldorf, Frankfurt, Geneva, Gothenburg, Hamburg, Helsinki, Kiev, London, Madrid, Manchester, Milan, Moscow, Münich, Oslo, Paris, Prague, Riga, Rome, Stockholm, St. Petersburg, Tallinn, Vienna, Vilnius, Warsaw, Zürich... Also to New York.

www.viahelsinki.com

FINNAIR
YOUR AIRLINE TO EUROPE

**Call Delhi : +91-11-43699200; Mumbai : +91-22-40524300 to 06 or Email: contact.in@finnair.com or visit www.finnair.com/in**

Daily flights from Delhi & 5x weekly from Mumbai (6x weekly from Mumbai, including weekends, starting from June '08.)

Ideas/Finnair/prod/08

# Deal Street On Course

**by Piya Singh**

**Deal flow for private equity is unlikely to slow down this year**

BULGE BRACKET FIRMS SUCH AS BLACKSTONE AND Carlyle are making headlines once again as the deepening subprime mortgage crisis and the subsequent credit markets meltdown is pushing these big private equity shops into a corner. Last week, Blackstone announced that its earnings were down by 89 per cent in the fourth quarter, while Carlyle group's publicly traded mortgage bond fund failed to pay up margin calls last week.

As the fortunes of the princes of private equity witness a reversal in the US, there are fears that a similar story will play out in the subcontinent, especially as public markets have taken a beating recently with the 30 share BSE Sensex down from a high of 20,873 points on 8 January to 16,123 point on 11 March. Numbers released by accounting firm Grant Thornton also show that the total number of transactions done by private equity in India has dwindled from 60 deals with an announced value of $2.05 billion in January to 27 deals worth $1.48 billion in February.

There have been talks of cancellations of some term sheets as disagreements between private equity firms and promoters erupt over the high valuations that deals were struck at.

However, the correction in the public markets is exactly what private equity firms have been waiting for and once promoters resign themselves to a more subdued Sensex, they may be more inclined to resort to private equity to fund their expansions and acquisition needs. "There is a hiatus period of three to six months as it will take some time for promoters to bring down their expectations as far as valuations are concerned," says Jayesh Desai, Ernst & Young's national director for transaction services. "The peaks of December and January are still fresh in people's memories and it will take a while to adjust to the new realities."

So, deal flow for private equity is unlikely to slow down this year as promoters will no longer be lured by the soaring public markets. Besides, the subprime crisis is unlikely to impact transactions in India as most deals here are growth capital in nature and there are hardly any leveraged transactions. The number of private equity deals — and their value — is also minuscule compared to the West. "PE and VC funds have raised in excess of $20 billion for India and these funds will be easily invested during the year as promoters will hesitate to go for IPOs and GDRs," says Harish H.V., Grant Thornton's partner for corporate advisory services.

Blackstone Advisor's Chairman and Managing Director Akhil Gupta doesn't seem worried about the correction in the public markets either. "We are now capable of doing more than twice the number of deals that we did last year," Gupta says. "How much we actually do is difficult to predict. It's true that public market valuations in India have gone ahead of the real economy. We were expecting a crash landing, though we weren't sure whether it would happen in the first or second half of 2008 and in January itself, we saw a big correction. For us, valuations have started looking Now, they are attractive from the long-term point of view."

There are still some big potential transactions in the market, including GE Money's mortgage and personal loans business, Tata Teleservices' tower business and Essar Power. Adani Power is also expected to look for a second round of funding. Private equity experts say that they expect fewer transactions from the information technology-enabled services sector this year. The value of PE deals in India has gone up from $2.03 billion in 2005 to $19.03 billion in 2007, while the number of transactions is up from 124 to 405, according to data released by Grant Thornton.

*piya.singh@abp.in*

## FEBRUARY'S BIG TICKET DEALS

| Investor | Investee | Investment |
|---|---|---|
| Kohlberg Kravis Roberts & Company (KKR) | Bharti Infratel (wholly owned subsidiary of Bharti Airtel) | 250.00 |
| Farallon Capital | Indiabulls Power Services | 246.88 |
| IDFC Private Equity | Ashok Buildcon | 175.00 |
| Infinite India Investment Mgmt | Maytas Properties | 150.00 |
| LNM India Internet Ventures | Indiabulls Power Services | 148.13 |
| Monsoon India Inflection and Jackson Heights Investments | Acme Tele Power | 100.00 |
| American International Group Inc. (AIG) and JPMorgan | Narayana Hrudayalaya | 100.00 |
| Blackstone | Allcargo Global Logistics | 60.50 |
| Citi Venture Capital International | Jai Balaji Industries | 50.00 |
| Citi Venture Capital International | Globe Capital Market | 41.00 |

Figures are in $ million

Source: Grant Thornton

SREI
INFRASTRUCTURE FINANCE LTD

# Over Rs. 30,000 crore Investment

# 1047 Kms. 8-lane Access-Controlled Ganga Expressway

# Largest Single Road Project

# from Greater Noida to Balia

REI Infrastructure Advisory Group completed the mandate for U.P. Govt., under Public Private Partnership just over two months from conceptualisation to award of concession.

**Srei Infrastructure Finance Limited**

Infrastructure: Equipment and Project Finance, Project Advisory & Development
Venture Funds / Investment Banking / Insurance Broking / QUIPPO-Infrastructure Equipment Bank

# You've Got Mail

**by M. Rajendran**

**Letters and lobbying are the arsenal for telecom companies**

THE GREAT WAR FOR TELECOM SUPREMACY IS GETTING hotter and dirtier. Soon after Ratan Tata's once-ailing Tata Teleservices (TTSL) continued its recent resurgence by announcing a joint venture with maverick business mogul Richard Branson's Virgin Mobile, anonymous sources began circulating letters in the media questioning the deal's legality. One of the letters was supposedly a leaked document from the Department of Telecommunications (DoT) asking TTSL to call off the deal as it constituted a mobile virtual network operator (MVNO). An MVNO is a company that does not own spectrum (the airwaves that carry mobile phone signals) but leases a chunk of spectrum from other companies and uses this to offer consumers mobile phone services. MVNOs are currently illegal in India. Since Virgin is an MVNO player in Britain, its tie-up with TTSL was immediately seen as a backhanded attempt by both parties to create an MVNO in India.

But DoT denies writing the letter, implying that it is a fake. Siddhartha Behura, secretary of DoT, also told *BW* the TTSL-Virgin deal looks legal. "We had sought clarification on the deal with Virgin (on 27 February) that Tatas have already given us (on March 5)," he says. Emboldened by this, TTSL's new and aggressive CEO Anil Sardana said his company will file a police report and pursue the matter of the fake letter through legal channels. Almost immediately after that, another letter calling for an investigation by the Central Bureau of Investigation (CBI) into how TTSL lobbied DoT to get clearance for its Virgin tie-up began circulating in the media.

Where the letter made a good point is that it is probably time for law enforcement agencies to begin unveiling the web of lies and letters that have come to define the high-stakes telecom industry. If the agencies succeed in cracking the trail of such misinformation, they will do a huge service to an industry where trust among industry players is as scarce as the spectrum they battle over.

Sardana says he has been crying himself hoarse about how lobbying by certain companies is distorting the telecom industry and would welcome a CBI probe into the issue. "We've always said lobbies are running telecom policy," says Sardana, whose company is India's fifth-largest mobile services operator. "The easiest way to see who is running these lobbies is to see which companies have received the most benefits. Tatas have received the least benefits. While companies such as Airtel and Vodafone have 10-12 MHz of spectrum in many metros and circles, TTSL has 2.5-5 MHz... Now, people using fake and leaked documents are trying to undermine our legal deal. So it is they who are trying to disrupt existing telecom policy for their own purposes. It is this lobbyist or company the CBI should go after."

Billionaire Sunil Mittal's Bharti Airtel, the largest mobile phone operator in India, dismisses such talk as sour grapes. "Bharti is a story of unique success — a company that has never engaged any lobbyists, has never hired persons who walk the corridors of power or appointed public relations agencies or charming managers to lobby," a company spokesperson told *BW*. "The failure of large established corporates to win in the open market cannot be hidden under such irresponsible and wild allegations."

Vodafone Essar, the second-largest mobile services operator in the country, also denies lobbying New Delhi. "We make our representations to appropriate authorities, including DoT and Telecom Regulatory Authority of India (Trai), directly and through industry associations," a company spokesperson says. "We do not use lobbyists."

By industry associations, the Vodafone spokesperson was referring to COAI (Cellular Operators Association of India), an industry association of telecom companies including Bharti Airtel, Vodafone and Birla scion Kumar Mangalam's Idea Cellular. COAI has been very active in New Delhi on its clients' behalf. Tata Teleservices and Reliance Communications are part of a rival association called Auspi (Association of Universal Access Service Providers of India), which has spearheaded these companies' call for a

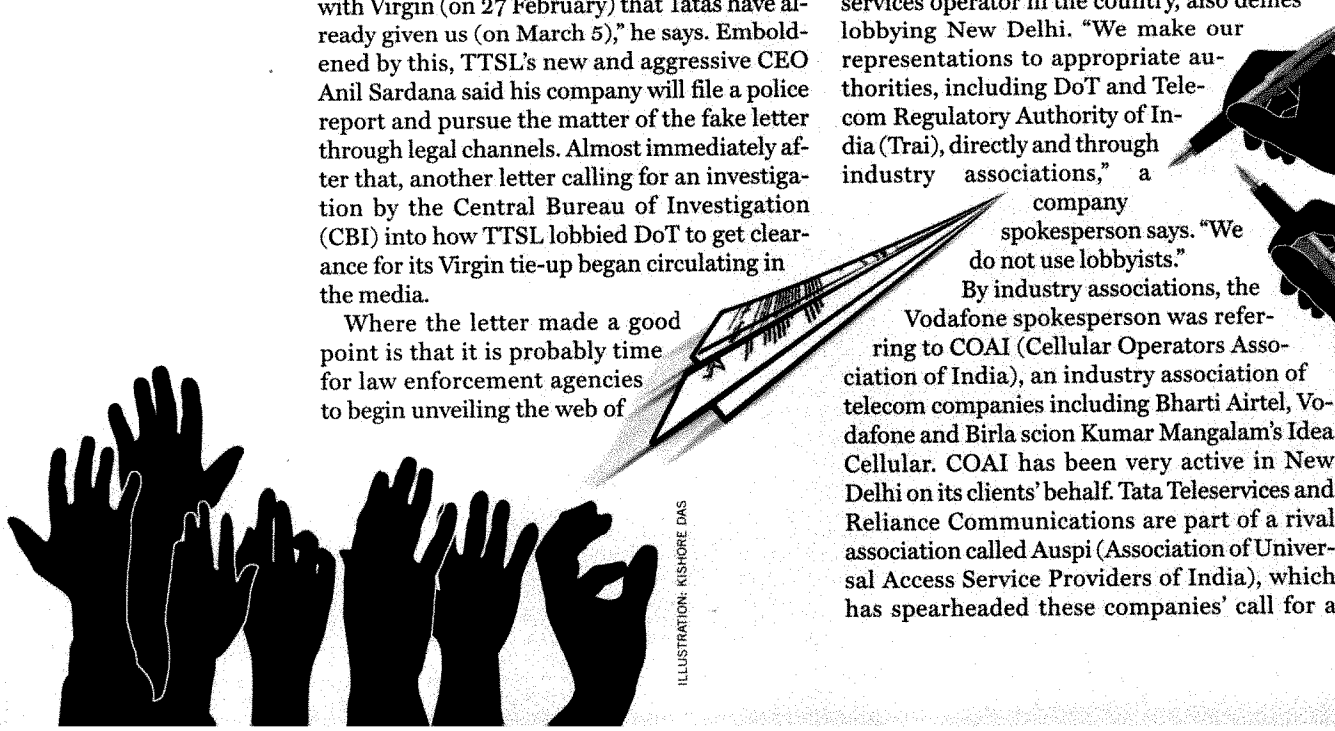
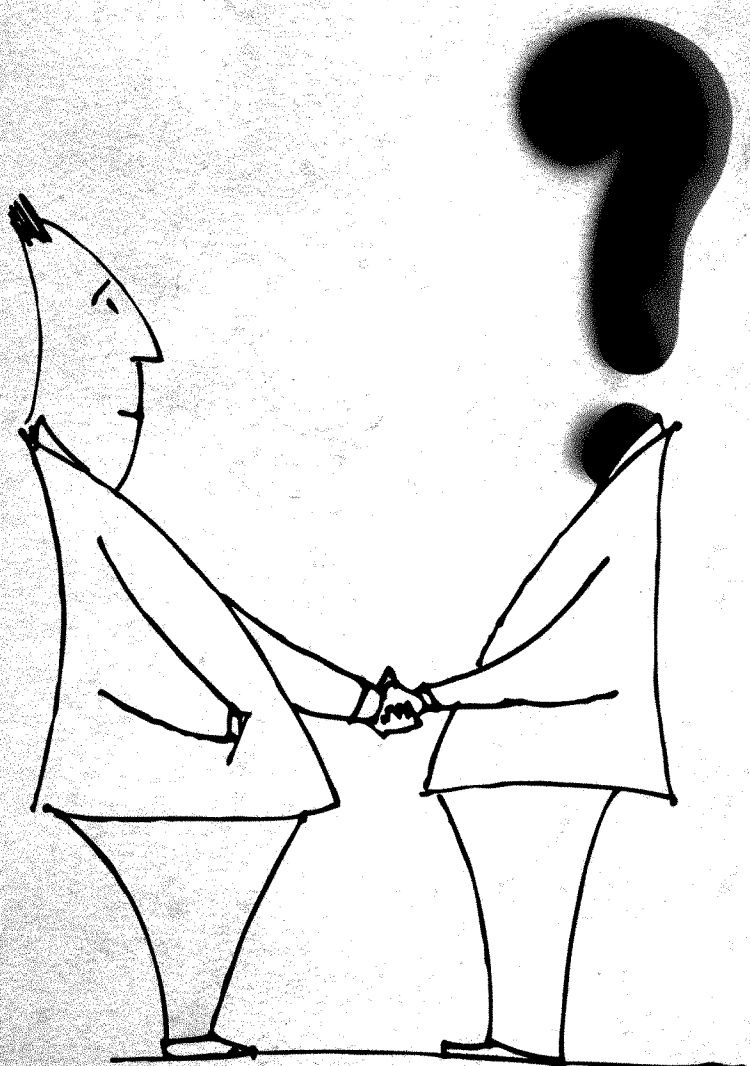


ILLUSTRATION: KISHORE DAS

Microsoft

# HOW WELL DO YOU KNOW YOUR IT PARTNER?

Your business, like every relationship needs to stand on a rock solid foundation of trust. Naturally, your partners and suppliers play a huge role. But can you really trust them to give you the best? Make sure your IT partner provides you with only ORIGINAL Microsoft® software.



**Microsoft has taken legal action against the following resellers indulging in hard disk loading of unlicensed Microsoft software:**

**Target Computers**
*Bangalore*

**KMSN Systems**
*Chennai*

**Prior Computers**
*Mumbai*

**Indra Tech**
*Pune*

**Reliable Tech**
*Pune*

**Creation Computers**
*Bangalore*

**Supreme Peripherals**
*Delhi*

**Computer House**
*Jaipur*

**Sri Durga Enterprises**
*Secunderabad*

**Sam Computers**
*Secunderabad*

Consumers, businesses and partners continually ask Microsoft for help in addressing the threat posed by pirates. Microsoft works to increase awareness about the risks of piracy, to engineer products that address these concerns and to enforce anti-piracy policies and laws.

ask for original Microsoft® software

**www.askfororiginal.com**

FIVE ways to buy original Microsoft software from **askfororiginal.com**

With a New PC | Buy Online | Dial-a-Software | Locate a Store | Volume License

In case you find anyone selling or distributing pirated software, please inform us immediately. Call us at these numbers, **Toll free: 1800-111-100 (MTNL/BSNL)**, **1800-102-1100 (Airtel)** or **Toll: 080-4010-3000**. © 2008 Microsoft Corporation. All rights reserved. Microsoft is a registered trademark of Microsoft Corporation in the United States and/or other countries. The names of the actual companies mentioned herein may be the trademark of their respective owners.

McCann/MSFT/16

more equitable distribution of spectrum and a technology-agnostic telecom policy. (Until recently, India had the dubious distinction of being the only country in the world that gave unfair advantage to the GSM technology operators such as Airtel, Vodafone and Idea, and neglected CDMA operators, such as TTSL and Reliance. But Telecom Minister A. Raja has now reversed this.) But TTSL and Reliance Communications manage the rest of their telecom affairs themselves, and TTSL, which used the services of a public relations agency for many years, has also engaged the services of Noesis Strategic Consulting, a consultancy firm in which Pradip Baijal, previously secretary of disinvestment ministry and head of Trai, is a partner.

Reliance Communications declined to comment on the TTSL-Virgin deal but a source close to the company said the manner in which the tie-up has been allowed seems unfair to other players. For example, the source pointed out that the JV violates the spirit of Article 6.1 of the Universal Access Service Licence that says, "The licensee shall not, without the prior written consent as described below, of the licensor, either directly or indirectly, assign or transfer this licence in any manner whatsoever to a third party or enter into any agreement for sub-Licence and/ or partnership relating to any subject matter of the Licence to any third party either in whole or in part i.e. no sub-leasing/partnership/third party interest shall be created. Provided that the licensee can always employ or appoint agents and employees for provision of the service."

Meanwhile, Telecom Watchdog, an NGO, has also said the TTSL-Virgin tie-up is a backdoor entry for global MVNO Virgin, and deprives the government of legitimate entry fees.

All this heartburn is understandable as the TTSL-Virgin deal dances on the very edge of the law disallowing MVNOs. It could be said that TTSL and Virgin have created a product that looks like an ice cream, tastes like an ice cream, and feels like an ice cream but is called gelato. For example, the TTSL-Virgin tie-up will market mobile services using the Virgin brand and the JV may even have its own distributors. But the JV will technically escape being defined as an MVNO because, for example, it will be TTSL and not Virgin that will bill consumers.

After having received the short end of the stick in New Delhi and having suffered because of Tatas' own inability to formulate a coherent telecom strategy, there is a sense of self-accomplishment in TTSL over having put together the Virgin deal so deftly. But the larger issue that matter raises is whether MVNOs should remain illegal in India. It would certainly benefit consumers as it would increase competition and push tariffs lower. Now that TTSL has partnered with Virgin, it is almost certain that another large telecom player will create a similar ice cream versus gelato deal. Formally allowing MVNOs could be yet another step Minister A. Raja could take in undoing some of the more perplexing policies put in place by his predecessors. But that should not prevent the CBI and other agencies from investigating how various telecom companies have manipulated the government and ended up subverting an industry that was once India's premier success story.

The fact that it still is the most lucrative is evident from the manner the powerful players in this field continue to fight it out through policy loopholes. Next interesting battle has begun on value-added services. A question has already been raised about the legality of Blackberry services and the security issues.

It is perhaps time to revisit the National Telecom Policy (NTP) that was last reviewed in 1999. A further review of the NTP might also help Raja, who prides in being an able legal eagle to untangle the knotty issues of policy and technology.

*m.rajendran@abp.in*

## Leaked letters

- 2002: Letters to the government from Tata Tele on why it was legitimate for them to take out Rs 1,200 crore from VSNL
- 2003: Letters leaked by both GSM and CDMA lobbies during the fight to prevent the latter from offering full mobile service from fixed wireless licence
- 2003-04: Fines imposed by DoT on Bharti Airtel for not restricting its service to the Delhi circle. Operators were getting the Airtel service in Panchkula at local call rates
- 2006: Letters written by Tatas and the Birla Group during their fight over Idea
- 2006: Series of letters during the spectrum allocation written by DoT to industry bodies like COAI and AUSPI

## Lobbying

- 1994-95: To cap the number of licences per circle
- 1999: To move from licence fee regime to revenue share
- 2003: To shift from revenue share to Universal Access Service licence
- 2006: To raise FDI limit from 49 per cent to 74 per cent
- 2006: To allow non-Indians as CEOs of telcos

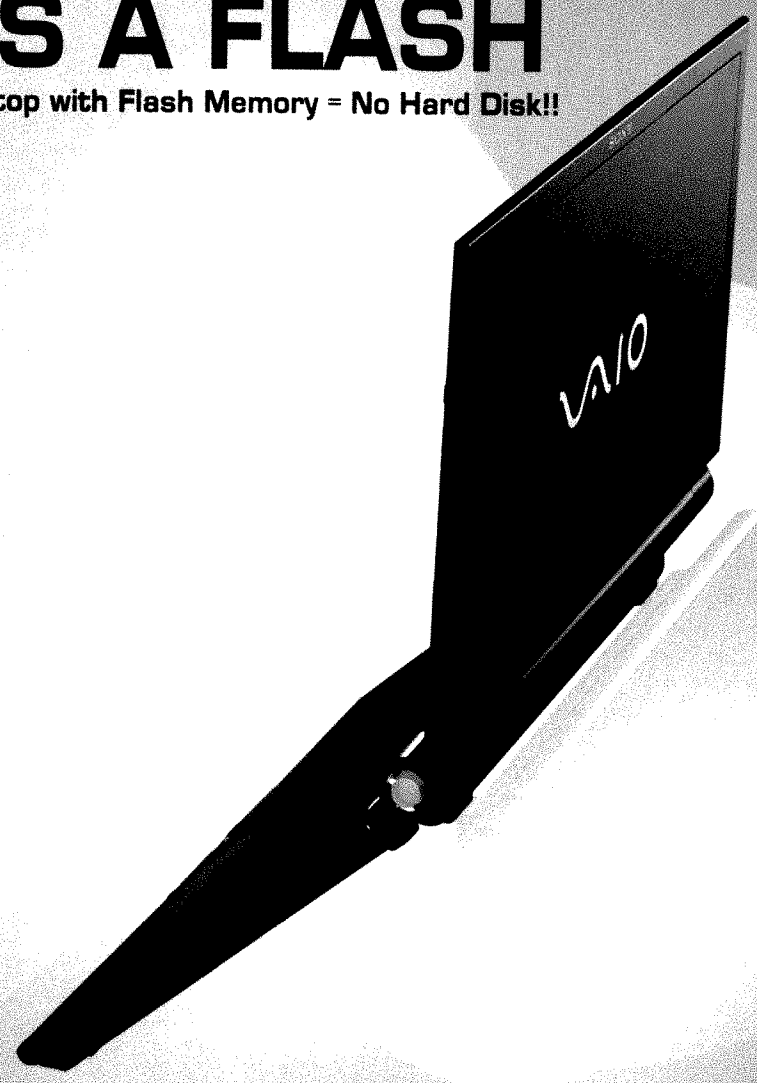
SONY

Sony recommends Windows Vista® Business

Windows Vista

# QUICK AS A FLASH

**Sony VAIO TZ. India's First Laptop with Flash Memory = No Hard Disk!!**




MONSTER SPEED

Save 33% of your time!

**SAFER DATA STORAGE**

**Flash Memory Replaces HDD**

**12 Hrs** Battery Life*

**3 Year** Domestic Warranty

**1 Year** International Warranty

Another first from Sony. The Sony VAIO VGN-TZ 38* that replaces the conventional hard disk drive with revolutionary Flash Memory. Making it the fastest booting laptop - 33% quicker**. Small on size but huge on features, the Sony VAIO TZ is designed to keep pace with you. Windows Vista® Business makes operation more intutive with an enhanced VAIO experience.

**• Weighs 1170 g • Windows Vista® Business • Carbon Fibre Body • Intel® Core™ 2 Duo U7700 Processor • 2GB Memory • Integrated DVD±RW/±R DL/RAM Drive • In-built camera • White LED Slim LCD Display**

*VGN-TZ38GN/X is India's first notebook with Flash Memory Storage & Windows Vista® OS pre-installed.

VAIO OFFICIAL WARRANTY

Now, get additional 2 year extended warranty on your VAIO for just Rs 5000/-
For Enquiries, call: Toll Free no. 1800-11-11-88 or e-mail: sonyindia.care@ap.sony.com or visit: vaio-online.sony.com/in
Regional Nos. Delhi: 26991205, Mumbai: 28231558, Bangalore: 25211050, Kolkata: 24858999, Chennai: 28292211

Intel, the Intel logo, the Centrino logo and Centrino are trademarks or registered trademarks of Intel Corporation or its subsidiaries in the United States and other countries. Windows, Windows Vista and the Windows logo are trademarks or registered trademarks of Microsoft Corporation in the United States or other countries. **The result is based on the certain Sony's testing environment & the actual speed may vary with different operations conditions and settings. #Estimated battery life (under JEITA Battery Run Time Measurement Method (ver 1.0). Actual battery life may vary with different operating conditions and settings.

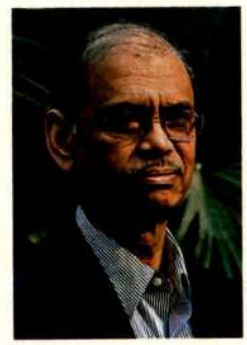
VAIO

Sony India Pvt. Ltd., A-31, Mohan Cooperative Industrial Estate, Mathura Road, New Delhi -110044. Ph: (011) 66006600; Fax: (011) 26959141.

# No Break For Globalisation

**by nayan chanda**

WITH RISING UNEMPLOYMENT, RECORD FORE-closure of homes and growing trade deficit the US economy is headed south and trade is increasingly seen as the main culprit. Eight out of 10 voters in troubled Ohio believe that international trade is taking away more jobs from the state than it creates. A nation-wide poll in November found 60 per cent of Americans agree that foreign trade was bad for the US economy, as it reduced demand for American-made goods and cost jobs at home. In 2000, only 36 per cent saw trade as a threat. This is bad news for a world that has come to count on the American market as the main engine of economic growth.



**Bad economic news and public fear of worse to come, fanned by political rhetoric, risk giving rise to protectionism**

Bad economic news and the public's fear of worse to come, fanned by politicians' rhetoric, risk brewing up a perfect storm of protectionism. Democratic candidates are shamelessly exploiting the fearful mood of the electorate. While their Democratic colleagues in the US congress refuse to approve free trade agreements negotiated by the administration with Colombia, South Korea and Panama, candidate Barack Obama calls for renegotiating the 14-year-old North American Free Trade Agreement and Hillary Clinton wants a "time out" on free trade pacts.

Is trade the main reason for growing joblessness in the US, or, for that matter, anywhere else? The contentious question is as old as trade itself. Everyone agrees that without trade we would be growing our own food and weaving what we wear. Foreign trade grew to allow for skill specialisation and to exploit comparative advantages enjoyed by producers and countries. Importing better and cheaper goods has always affected inefficient producers and brought pains. Consumers won, economies grew, but inefficient industries lost. Is this what is happening in the US now?

Economist Robert Lawrence's new study *Blue-Collar Blues* shows that a significant amount of what the US imports is no longer produced domestically and, as prices of these imports decline, consumers benefit without putting downward pressure on US wages or causing layoffs. There is no question that competitive trade has played a role in shrinking manufacturing jobs, but it is only a minor part of the structural changes taking place in the economy. Declining investment in manufacturing and productivity growth wrought by technological and management innovation played a much bigger role. In the 2001-2003 period, between 12 and 33 per cent of manufacturing jobs lost are estimated to have been due to trade. The data also lays to rest a myth about American jobs disappearing in droves to outsourcing in India or, in popular parlance, jobs being "Bangalored". Yet, official data shows that of almost 1 million jobs lost in 2004, less than 10 per cent — only 73,217 to be precise — were due to outsourcing. Of those outsourced jobs, three in 10 were sent abroad and the rest went to other parts of the US. Lawrence concludes his study by noting that there is overwhelming evidence that the US has benefited from global engagements, which has helped raise US GDP by 10 per cent.

But perception is reality and the all-pervasive media stereoscopically magnifies the dark perception about trade. Election-time political rhetoric could do worse than just deepen this perception; it could lock politicians into self-fulfilling protectionist policies. Historically, the period between the two World Wars, when an anti-globalisation backlash produced a tariff war, holds serious warning. Driven by landed interests, protectionism rose in Europe to be followed by a beggar-thy-neighbour high tariff wall in the US. The desire to protect jobs by shutting down commerce led to the infamous Smoot-Hawley Act of 1930 and the Great Depression.

Alan Blinder, former presidential economic adviser, who raised the alarm in 2006 about a new Industrial Revolution embodied in outsourcing challenging America, is now worried about the growing anti-globalisation sentiment. He now calls for finding "ways to make Americans more comfortable with globalisation". The new president, he says, would have to use the presidential bully pulpit — not to bully, but to explain why globalisation is both inevitable and more an opportunity than a threat.

Presidential hopefuls may find it politic to call for a time-out on trade agreements but the process of globalisation driven by billions of people's desire to live better brooks no timeout. If forced shut, as in the 1930s, the results could be disastrous for all.

*The author is Director of Publications at the Yale Center for the Study of Globalization Editor of YaleGlobal Online. He can be reached at boundtogether.bw@gmail.com*

# Expect a Premiere welcome on your next visit to Bengaluru and Mumbai

Savannah
SAROVAR PREMIERE
bengaluru
A SAROVAR HOTEL

GRAND
SAROVAR PREMIERE
mumbai
A SAROVAR HOTEL

The signature Sarovar Premiere experience never fails to delight you, with the sheer thoughtfulness that goes into every service, every gesture. Come, discover the welcome difference with us.

*Elegantly appointed rooms and suites • In-room dining service • A choice of Indian and international dining • State-of-the-art meeting, conferencing and banqueting facilities • Business centre • Swimming pool and health club • Wi-fi connectivity*

Savannah Sarovar Premiere
43/3 Whitefield Main Road, Bengaluru - 560 067
Tel: (080) 4030 1212 Fax: (080) 4116 3223
Email: sspb@sarovarhotels.com

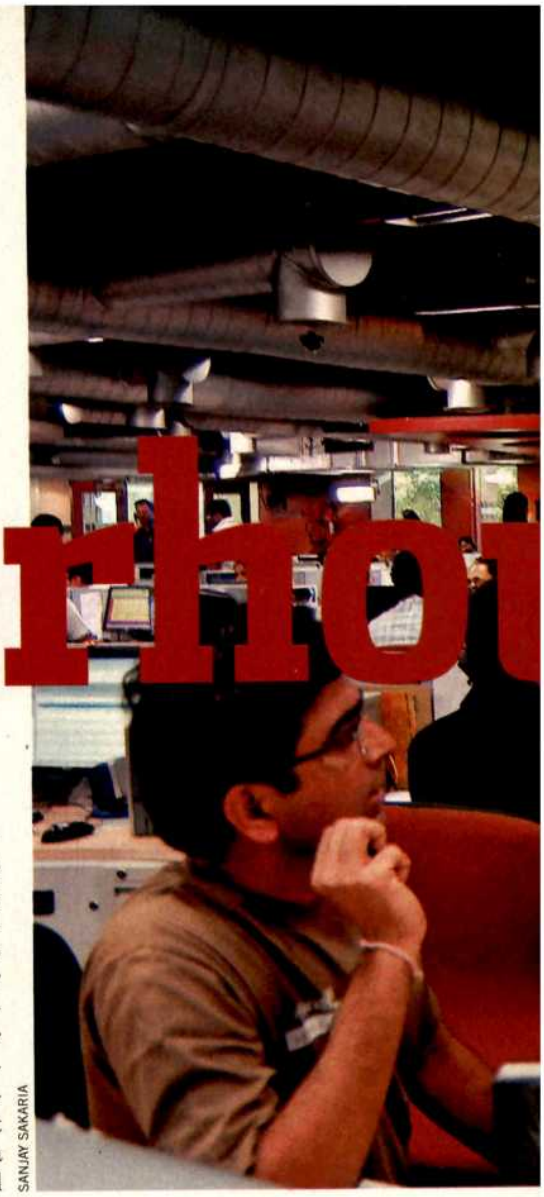
Grand Sarovar Premiere
A.K. Plaza, Junction of S.V. Road and Veer Savarkar Flyover,
Goregaon West, Mumbai 400 062
Tel: (022) 2871 8000 Fax: (022) 2871 8001
Email: gsp@sarovarhotels.com

Mumbai: (022) 6635 0800. New Delhi: (011) 2638 3851/2/3/4/5. Bengaluru: (080) 4115 3344/5588/5599.
Chennai: (044) 2826 5566/6644/4488. Kolkata: (033) 2228 7301/0301

**www.sarovarhotels.com Toll Free Reservations: 1 800 111 222**

enzcomm.com

# India's Next Media Powerho


SANJAY SAKARIA

By Gurbir Singh

THE STORY OF HOW CNN-IBN was formed has a distinct James Bond ring to it. On 15 April 2005, two of NDTV's pillars — news anchor Rajdeep Sardesai and finance whiz kid Sameer Manchanda — electrified the media and investment community by announcing their split with NDTV promoter Prannoy Roy. Evidently, a senior TV18 official had moled into NDTV and lured the top duo away with an offer they couldn't resist — ownership. "We left because we wanted to be entrepreneurs," says Manchanda, now joint managing director of TV18's subsidiary Global Broadcast News (GBN).

The rest is history. Within a few weeks of the stunning move, CNN-IBN, owned by GBN, had become India's No.1 English news channel.

In mere three years, TV18 has grown like a baby on steroids, from a single-channel operation with Rs 15 crore in revenue in 2000 to a Rs 1,000-crore media behemoth that today boasts news channels, music and entertainment channels, finance websites, newswires, print publications, a tele-shopping venture and a publicly-floated film company. It has aggressively acquired companies, formed savvy partnerships, poached some of the best talent in the country, and promoted a uniquely entrepreneurial culture across all of its properties.

But the fairy-tale ride could hit nasty, unseen speed-breakers. The vast spectrum of investments — an advantage today — could become an unwieldy corporate sprawl during industry meltdowns. Allegations about the company's unethical advertising practices have also begun to get louder.

In the 1990s, the merger mania in the US gave birth to a new buzz word — synergy — that was appropriated by companies worldwide and printed in thousands of annual reports to justify the conjoining of properties that made millions of dollars for its bankers and top management, but seldom for its shareholders.

**Network18 is building a kingdom in convergence. Is it going to rule media?**

Today, 'synergy' has been replaced by 'convergence' as the new hot concept. TV18, now called Network18, has become India's most diversified and 'converged' media company, and is well on its way to make an international mark. However, convergence is not simply a fashionable idea for Network18. It is one of the few companies that has been successful in monetising its real-time news content by making it available across television, the wire and the internet.

## I Want My (M) TV

The man behind this phenomenal growth story is Raghav Bahl, managing director of Network18. Impeccably dressed in a classic pinstriped blue shirt, he strides about the buzzy CNBC newsroom posing for pictures, supported by his trusty cane. "He was a brilliant student, who won all the debates and always topped the class," recalls Brian Paes, his classmate at St Xavier's School in Delhi's Civil Lines. "The kind of student a school produces once in five years."

Bahl — who was an anchor for Doordarshan in the late 1980s because it paid him Rs 250 a session — began assembling and producing business shows for television in the early 1990s. He anchored the Indian Business Report for the BBC and another one for Star — thus becoming one of the primary providers of business content for television from India. However, Bahl soon realised that the future lay in the broadcast business, not content production.

## The Elegant Opportunist

Bahl's decision to build a media and entertainment powerhouse has proved to be both enormously prescient and exceedingly lucky. He decided to ride the media boom. "The Indian entertainment and media industry continues to outperform the Indian economy, and yet again, is one of the fastest growing sectors in India,"

**ALL ABUZZ:**
**Network18 has become India's most diversified media firm**

**EXECUTIVE SUMMARY**

- **Network18 is growing on buyouts and joint ventures into India's first 360-degree media company**
- **But its vast spectrum of investments — an advantage today — could become an unwieldy corporate sprawl during industry meltdowns**

says a 2007 PricewaterhouseCoopers (PwC) report. The report projects the television industry cornering the largest share — around a 20 per cent — in the Rs 75,000-crore media and entertainment pie. It is expected to grow annually at a rapid 22 per cent clip from its current Rs 19,100 crore to Rs 51,900 crore in 2011. No surprise, then, that Bahl looks like he's willing to scarf up every available media property in sight.

Most other media companies have preferred to guard their monopolistic turf without venturing into alien territory. Network18, however, has been like an octopus, using its tentacles to seize every part of the media pie. For instance, around the time of CNN-IBN's successful launch, the group was also working on a business plan for a Hindi news channel to complement its new English one. When the floundering Hindi news channel Jagran TV came up for sale, Bahl quickly grabbed a 46 per cent controlling stake from Jagran Group's M.M. Gupta family — and was able to hit the market at the time of CNN-IBN's initial high with a Hindi sister channel, IBN 7.

About the middle of last year, Network18 pulled off another coup. Viacom was in trouble and on the hunt for a reliable Indian partner. In the first instance of an Indian media company buying into a subsidiary of a foreign media major, TV18 snapped up a 50 per cent stake in MTV Networks India for Rs 200 crore. In one stroke, Network18 added two music channels — MTV and VH1 — to its broadcasting repertoire as well as acclaimed kids' channel Nickelodeon. Network18 now boasts seven TV channels — CNBC-TV18, CNBC Awaaz (Hindi business), CNN-IBN, IBN 7 and the Viacom three. It has two immediate launches in sight — IBN Lokmat, a Marathi news channel JV with print group Lokmat, and a retail shopping channel, Home Shop 18. An entertainment channel is also in the works.

## The ladder of growth

| | |
|---|---|
| 2007 | Enters publishing by buying Infomedia, a JV with Jagran. Plans a Hindi business paper, and *Forbes India* |
| 2007 | Network18 buys 50 per cent of MTV, VH1 and Nickelodeon |
| 2006 | Raghav Bahl floats Network18 as holding company with a controlling 51 per cent stake |
| 2005 | TV18 buys 46 per cent of Jagran TV and rechristens it IBN-7 |
| 2005 | Rajdeep Sardesai and Sameer Manchanda join TV18 and launch CNN-IBN |
| 2003 | Restrictions on foreign equity in news allow TV18 to take control of CNBC |
| 2000 | TV18's IPO raises Rs 55 crore |
| 1998 | TV18 and CNBC Asia enter into a 49:51 JV to launch CNBC in India |
| 1996 | TV18 launched in partnership with Asia Business News and shut down in 1997 |
| 1993 | Television Eighteen India Pvt. Ltd. incorporated on 24 September |

### Wired To Win

Way back in 2000, when TV18 was a small company with a measly Rs 15 crore in revenues, Bahl made bets on the internet that are serving him well today. He set up e-Eighteen Dot Com, and then picked up an ailing personal finance portal, Moneycontrol.Com. Next, he tied up with online brokers such as ASK Raymond James to offer transaction capabilities.

Many of those internet bets have translated into resounding wins. Today, MoneyControl.com, with 7 million users, has grown to become India's biggest business portal, and a perfect online partner for the group's flagship business channel, CNBC-TV18. "It's a Rs 45-crore brand," says Network18's group CEO Haresh Chawla, who claims the group's internet business generates Rs 60 crore a year.

From the internet, leap-frogging into the news-wire space seemed like a logical move. In late 2006, Network18 acquired Crisil MarketWire, a real-time financial news wire service from Crisil. Calling it NewsWire18, the company broadened the service into an integrated information terminal and now has 600 terminals in the country. Network18's convergence strategy has not gone unnoticed. "The group is building an effective synergy between Moneycontrol.com and NewsWire18 to compete with Bloomberg," says Ashok Jainani, an analyst with Khandwal Securities.

The strategy of being present in all segments is obviously not just for the arithmetic sum of the revenue these streams generate. "The objective is to keep the media consumer within the Network18 cluster," says Group COO B. Saikumar. "Our aim is to connect television, the internet and print to keep the consumer within our basket."

### Filmi Forays

In a country that is obsessed with its movie industry, a media company without a film division is like a Queen without a crown, and Bahl's

group didn't have one. For Bahl, sitting on the sidelines of a booming multiplex market was not an option. His solution? Poach and build. Bahl lured away Sandeep Bhargava from Sahara One Motion Pictures, who defected with his entire team to set up shop in the backlanes of Mahalaxmi Race Course, a stone's throw away from Famous Studios.

Confronted with the challenge of scaring up a large sum of money to begin their bets on film, Bahl and Bhargava set up The Indian Film Company (TIFC) in Guernsey, listed it on London's AIMs exchange and raised $100 million (Rs 400 crore) about 18 months ago. This move has given Studio18, the group's front for its film business, a lever for raising an equal amount of debt, too, arming it with a war chest of Rs 1,000 crore. Flush with cash, Bhargava has moved forward with a three-pronged strategy: financing in-house films, co-productions and acquisitions. Studio18's first slew of in-house films, including *'Fruit and Nut'* with Boman Irani and Cyrus Broacha, are mid-budget, in the Rs 8 crore-10 crore range. The company's acquisition strategy has also engineered some savvy deals. Bhargava managed to flog the telecast rights for the hit film *'Jab We Met'* to four channels — 9X, Zee Cinema, Max and Bindass — simultaneously on a non-exclusive basis and for a specified number of airings. No one had done that before. "This got us Rs 12 crore," says Bhargava. "If we had sold exclusively, we would have earned at best Rs 8 crore."

**MAKING OF THE MAN:** Raghav Bahl with his classmates and teachers

### A Few Good Men

Perhaps, Bahl's most astute investments are those he has made in people, such as Bhargava and Sardesai, to run his businesses. Bahl has relied heavily on 'human brands', and has handed out the sweet lure of hefty equity stakes and ESOPs in order to bring some star power into his team. Quite a few eyebrows went up when he gave Sardesai, Manchanda and Chawla collectively a whopping 26 per cent stake in GBN — worth around Rs 650 crore on current valuations. But the unprecedented sweetener was vital if Bahl was to take on the might of NDTV. "He (Bahl) has grown aggressively by harnessing entrepreneurial talent, and then empowering them in an autonomous structure," says Enam Consultants' media analyst Salil Pitale. Where most media companies are hit by a regular exodus of talent, industry watchers point out that Network18 has managed to win the loyalty of its top managers.

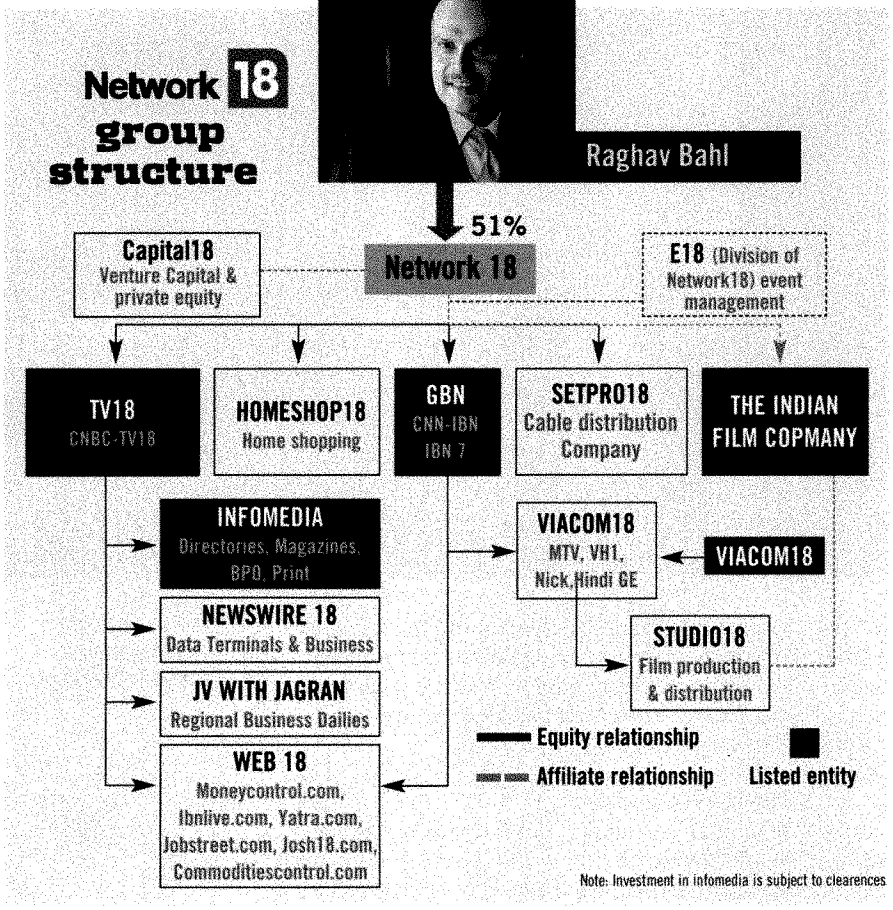
### The Great Gamble

When Bahl decided to chuck up his highly successful show with BBC in 1996 to chase a broadcasting joint venture where the risks would be much greater, his directors and shareholders were alarmed. Content was king at the time, but Bahl remained steadfast. He convinced them that margins in the content business would soon be under severe pressure.

His first broadcasting venture was a flop. Bahl formed a union with Singapore-based Asia Business News (ABN), a Dow Jones company that offered TV18 a joint venture partnership. The venture, however, soon collapsed because of poor audience response.

The next round may have gone the same way. "We told CNBC that 22 hours of international content and two hours of Indian news just won't work," says Bahl. "You can't survive on international content. They (CNBC) said you take the risk; we said we will take the whole company." In Singapore, ABN merged with CNBC Asia, and CNBC launched in India as a 51:49 partnership with TV18 in 1999.

The takeover risk played out in 2003 when the government restricted foreign equity in news broadcasting companies to 26 per cent, and Bahl emerged flush with funds from a rights issue. Forced to dilute, CNBC Asia virtually exited in exchange for a 15-year brand franchise arrangement. In the swap, TV18 upped its holding from 49 to 90 per cent in CNBC-TV18.




### Black Holes

The one missing piece in Raghav Bahl's media empire is print, an arena sharply competitive, saturated, with established monopolies and high entry barriers. Among the regional business dailies, competition has already moved to outflank Network18's plans to launch a regional Hindi business newspaper. Anticipating a Jagran-Network18 blitz, both potential rivals — *The Economic Times* and *Business Standard* — have launched a slew of editions in Hindi and Gujarati from several centres.

Moreover, attempts by Network18 to buy out the daily *Business Standard* have failed, and now the company says it would launch its own business daily. Though insiders are tight-lipped, Bahl is believed to be pushing for a tie-up with UK's *Financial Times* after its arrangement with *Business Standard* broke down.

Bahl's initial strategy for print was to pick up a 53 per cent stake in a niche vertical such as Infomedia, better known for its *Tata Press* yellow pages, for Rs 178 crore. Infomedia gives Network18 a substantial printing capacity for a slew of specialist magazines the group is aiming to launch. However, it has been performing badly and is a difficult business to turn around quickly. For the first nine months of this fiscal, Infomedia's sales grew dismally, by about 5 per cent to Rs 105 crore compared to Rs 99 crore for the same period in 2006. Its bottom line did worse, dipping from a marginal profit of Rs 1.4 crore to a net loss of Rs 7.5 crore for the current year's first nine months (see 'Watch The Numbers on page 40').

Bahl wants print entities to complement his other media properties. Network18 has made a start with a JV with Forbes Media to launch a fortnightly in India. However, the larger question is: does the company have the cash and the stomach to endure the long and painful grind in a market saturated with established leaders?

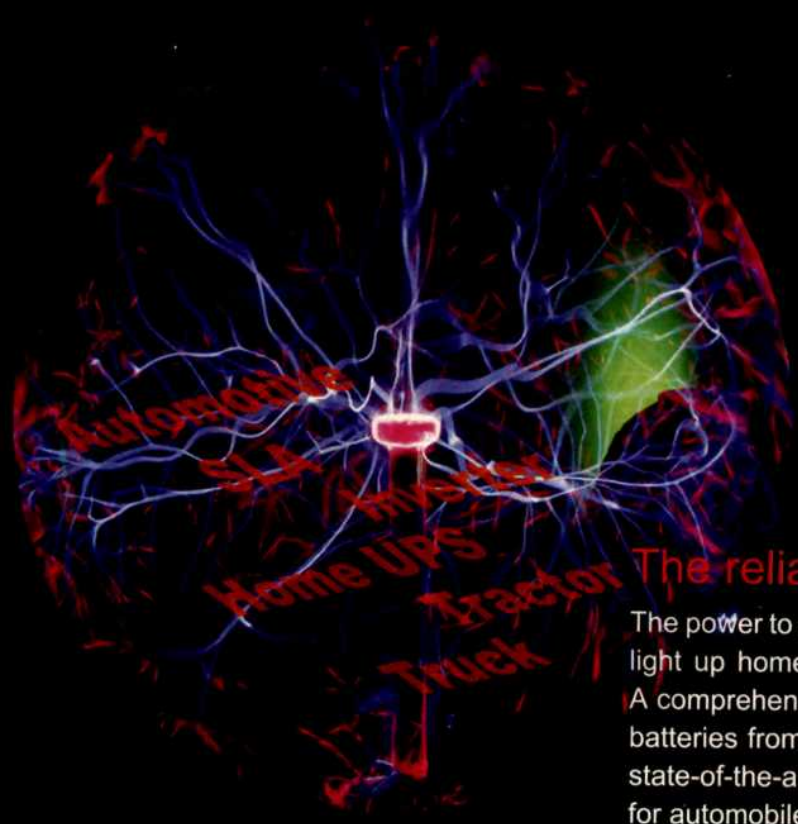
Two other ventures threaten to undermine Network18: entertainment television and tele-shopping. Entertainment was the one major element missing from its bouquet but now that the group has allied itself with Viacom, Bahl feels that he finally has the right partner to enter the space. A team headed by Rajesh Kamat, from content company Endemol, and Ashwini Yardi, the programming head poached from Zee TV, is ready to launch the group's channel. But are they too late?

Quite likely. Much like in the print arena, the channel will have to duke it out in a very crowded ring with well-entrenched heavyweights such as Star Plus and Zee TV, as well as newcomers such as 9X and NDTV Imagine. The competition for entertainment television is especially stiff considering that it draws about 60-70 per cent of advertising spends.

Bahl's move to enter the tele-shopping arena is also fraught with considerable risk. Network18 is about to launch HomeShop18 helmed by CEO Sundeep Malhotra, on a 24-hour television platform. HomeShop18 hopes to reach a vast array of products and services across 1,600 cities and towns in India. But earlier attempts by Zee TV and UTV to popularise tele-shopping flopped. The Indian penchant to test the look and feel of a product before they buy it has defeated attempts to popularise this alternative way of hawking products. But, if it clicks, Malhotra feels it is a business format that has no plateau point, unlike most others.

### Ethically Speaking

If these concerns weren't enough, Network18 is now being accused by some media watchers of acting in unethical ways, specifically in its 'private treaties' programme. Pioneered success-

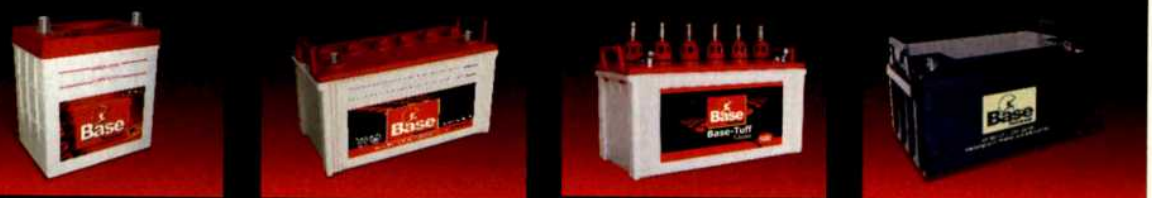



Base
Terminal

## The reliable power store

The power to surge ahead. The power to light up homes. Power for every need. A comprehensive range of ever-reliable batteries from **Base**, Manufactured at a state-of-the-art plant at Solan (HP). be it for automobiles, Home inverters or UPS systems. It's life Powered By **Base**.

Base
Terminal




365 Days 24 Hrs

**Available at your nearest BASE Terminal - India's largest chain of battery showrooms**

**Branches:**

**NORTH - Delhi** : 011-39998000 (25 Lines) **Chandigarh** : 98145 365 24 **Punjab** : 98146 365 24 **Jammu** : 9419263069 **Jaipur** : 98280 365 24 **Ghaziabad** : Ph: 0120 - 3251548 **Uttrakhand** : Dehradun Ph: 0135-6541010 **Gurgaon** : Ph: 0124 - 2210839 **CENTRAL - Indore** : 98930 365 24 **Nagpur**: 98227 365 24 **SOUTH - Bangalore** : 98440 365 24 **Chennai** : 98401 365 24 **Secunderabad** : 98490 365 24 **Palakkad** : 98473 365 24 **EAST - Kolkata** : 94330 365 24 **Jamshedpur** : 93340 07434 **Bhubaneshwar** : 92383 365 24 **WEST - Mumbai** : 98206 365 24 **Pune** : 98231 365 24 **Ahmedabad** : 98250 365 24

" For all india enquiries for distributor / dlrs pls call : Mr. Bansal 98719 96545 " For further assistance please contact "feedback@basecorporation.com"

base media

SANJAY SAKARIA

THE MISSING PIECE: Bahl is believed to be pushing for a tie-up with UK's *Financial Times*

fully by the Times group, it involves picking up minority stakes in various companies in exchange for advertising. On the face of it, there is no editorial barter; but there is increasing concern that promises for giving a leg-up to private treaty clients involve brand building and positioning through editorial content as well. Often, ads are made to look like editorial content. If it goes out of hand, the programme could severely damage the reputation of a company.

Network18 has a private equity acquisition programme through its investment arm Capital18. Saikumar says the general formula is that 70 per cent of the investment would be cash or equity, while 30 per cent would be traded off against subsidised advertising airtime. Bahl defends private treaties. "It is a legitimate business investment strategy; it does not involve any trading for editorial content," he says. "Unlike the Times, we have a few tens of crores in investments in just four or five companies."

### Corporate Concerns

These allegations seemed to have had minimal effect on the group's impressive performance. The group, from revenues of Rs 135 crore in 2004, is expected to touch Rs 1,000 crore in FY2008. It has emerged as the fourth largest media group along with HT Media after the Times Group with estimated revenues of Rs 4,000 crore, Star India Rs 2,500 crore and the Zee companies together clocking Rs 1,500 crore. Network18's two listed flagships, TV18 and GBN, have galloped along at a 50 per cent and a 70 per cent clip, respectively. TV18's profits ballooned almost four-fold to Rs 22 crore for the nine-month period ending 31 December 2007, while GBN's losses were pared down to Rs 8 crore for the same nine-month period, from Rs 35 crore in the previous period.

Its corporate structure is a labyrinth of companies with criss-crossed equity holdings and complicated joint ventures that can confuse investors. At the top of the heap is the listed holding company of the group, Network18 Media & Investments, in which Bahl holds a controlling 51 per cent stake. Network18 in turn controls 51 per cent in two other listed subsidiaries — GBN and TV18. Besides these, the group has a host of unlisted corporate entities including Web18, HomeShop18, Capital18 and the cable distribution arm, Setpro18. And finally, there are the JVs that include Viacom18 and the partnership with the Hindi print giant, Jagran Group (see 'Network 18 Group Structure' on page 37).

"The group's properties are distributed over too many companies," says Jagdish Malkhani, country head of broking house Taib Securities. "It is too complex. What I am buying, I want to put my arms around." Media watchers also point out that the group has a maze of brands that have little recall value. Those that are recognised are those that have been adopted from the group's JV partners such as CNBC and CNN-IBN. Perhaps in recognition of this criticism, the group has launched an aggressive branding campaign to give the group's properties a brand identity through the number '18'.

Interestingly, a report from HSBC has marked down TV18 from 'Overweight' to 'Neutral' and has put a 'hold' on the share because of higher than estimated expenses. The report says though the revenues were healthy, there was no margin expansion as marketing expenses grew a massive 373 per cent in FY2008.

Investors have a right to be a bit confused. Just when you think you've got your arms around it, Network18 hares off in a different direction. Chawla has recently bought the marathon telecast rights from Procam. It signals the start of a new company — Sports18 — for acquiring sports properties. Which way is the group heading? What is its focus? "We are in the business of creating ecosystems through a network of media properties," says Chawla. "We will move in whatever direction that takes us."

Saikumar puts it more succinctly. "Five years down the line we may be an internet company; or we may be known as a film company." For a company passionate about convergence and growth, it could be heading for the sky.

With inputs from Abhishek Chowdhury

*gurbir.singh@abp.in*

## Watch the numbers

Network18's listed flagships TV18 and GBN are galloping along.

| | Net Sales for 9 months | | Net Profit for 9 months | |
|---|---|---|---|---|
| | Apr 2007 to Dec 2007 | Apr 2006 to Dec 2006 | Apr 2007 to Dec 2007 | Apr 2006 to Dec 2006 |
| Global Broadcast News | 86.31 | 50.33 | -8.07 | -34.82 |
| Infomedia India | 104.84 | 99.18 | -7.49 | 1.42 |
| TV18 India | 196.73 | 131.35 | 22.73 | 6.56 |
| NDTV | 217.93 | 168.01 | 0.97 | -6.72 |

Source: CapitalinePlus

Figures are in Rs crore

ere are two lines we haven't drawn in our iness. One concerns the quality of service we vide. The other, our reach across the globe. r footprint already spans India and the Middle t. Now we have a blueprint to meet the reasing requirements of businesses across the ld. Which means our imagination will add nense value to those businesses as well.

In fact whenever you partner us, you'll find us reaching as far as the mind. Now that we're venturing into wellness and premium properties, you only have to ask your imagination to know what else we will accomplish.

CALL TOLL FREE 1800 209 1122

www.writercorporation.com

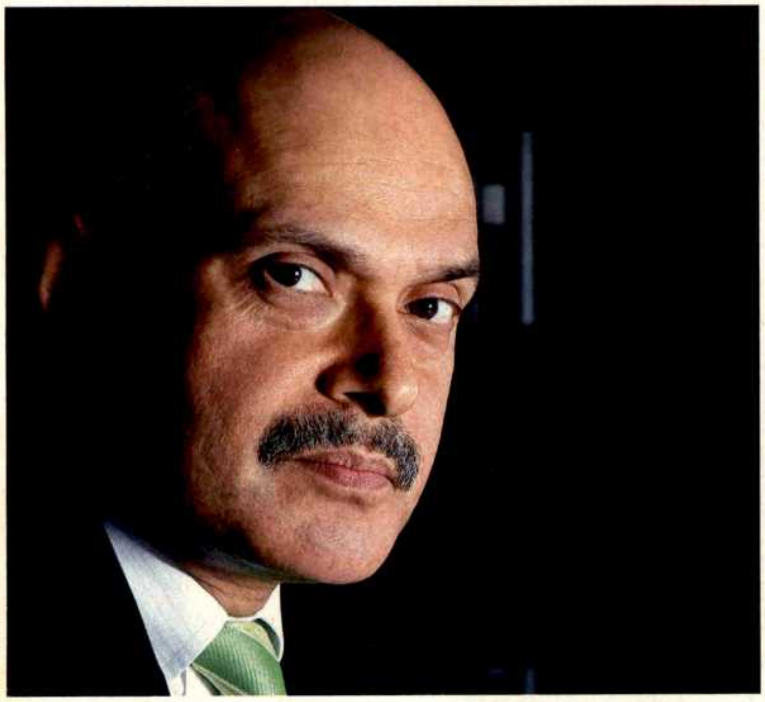
WRITER

As far as you can imagine

ocations | Information Management | Cash Management | Logistics | Premium Properties

# 'We are the guerrillas'

— Raghav Bahl
Managing Director, Network18 Media & Investments



AMIT VERMA

**In a short span of 10 years, Raghav Bahl, managing director of Network18 Media & Investments, has built India's fastest growing media empire, with a finger in every pie. He spoke with *BW*'s Gurbir Singh on how the growth story evolved. Excerpts:**

**Q: What does the number '18' — carried on most of your companies — represent?**

**A:** It is just a lucky number. Most people don't know the number of businesses we are in. It is a conscious branding exercise to increase our visibility.

**Q: You launched ABNi in 1996, but it collapsed soon.**

**A:** Indeed, we are the first business news broadcasters. We were also the first private content company with a business show on Doordarshan — the Amul Morning (AM) show. ABN (Asia Business News) then was broadcasting out of Singapore, and launched in India in 1995. ABN held a 51 per cent stake, Hindujas had 26 per cent and TV18, 23 per cent. Both the channel and its head, Paul France, were ahead of their times. ABN merged with CNBC, and CNBC launched in India with us providing the Indian content.

**Q: How did your joint venture with CNBC play out?**

**A:** They (CNBC) said you take the risk; we said we will take the whole company. Though there was a joint venture broadcast company in Mauritius, it was just a shell company. In India, the entire assets of the channel were built and owned by TV18. In 2003, the 51:49 structure in favour of CNBC collapsed after the government restricted foreign holding to 26 per cent. They offered us a stake; we preferred to buy them out.

**Q: You have 'treaties' that give you stakes in companies in exchange for airtime.**

**A:** We do not compromise editorial. If you want to compromise content, you don't need the torchlight of a private treaty to do it. It need not show on your books either. We do have a policy of private treaties, but what is wrong with a business plan that monetises our media reach? What difference does it make if we pay for a stake in a company in cash or kind? It is true that the companies we invest in get access. It is also true they may try and influence us, but that is the occupational hazard every journalist faces.

**Q: You have grown quietly and rapidly...**

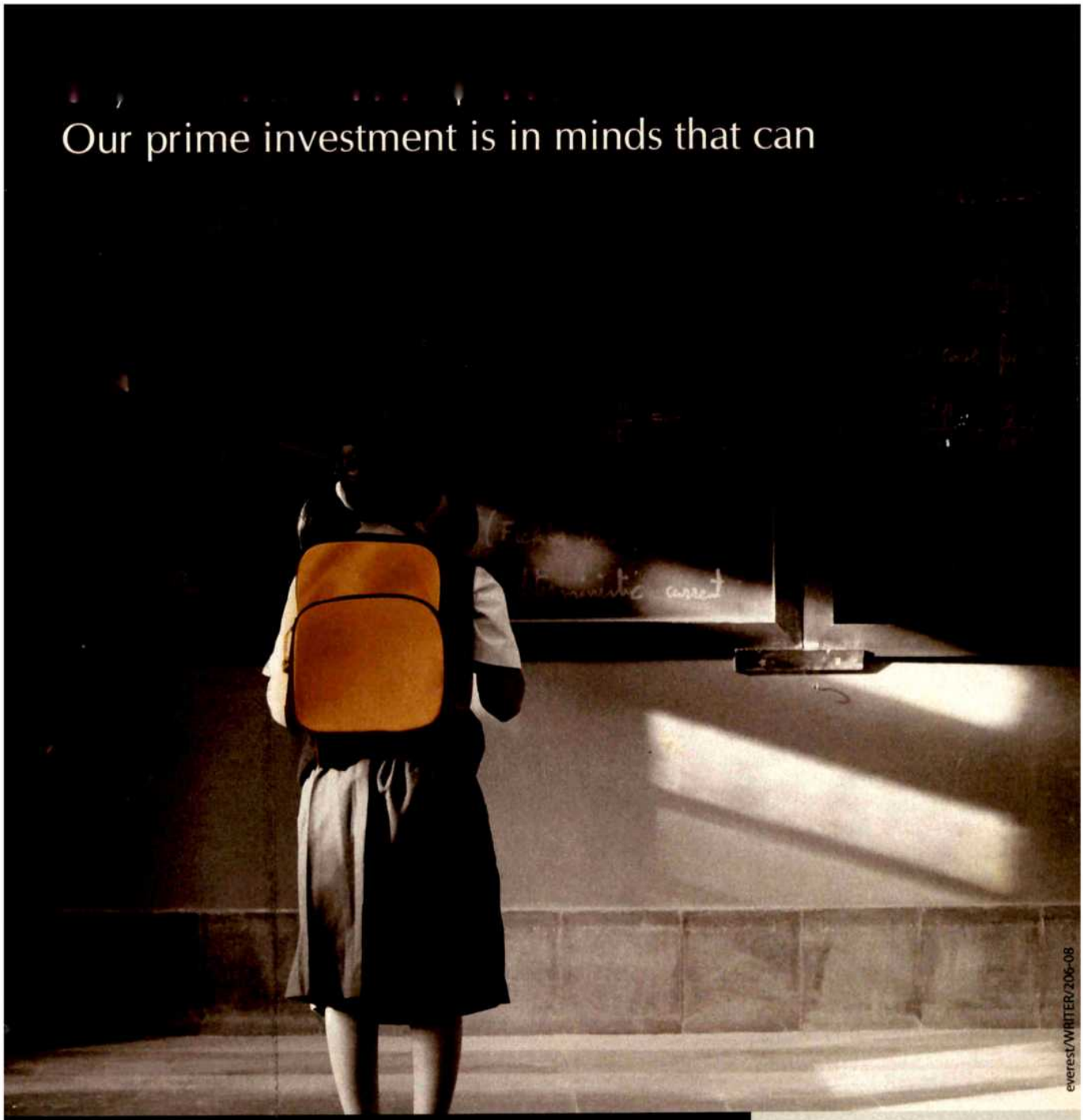
**A:** We are self-made professionals. We are close to a Rs 1,200 crore if we factor in the value of the films on the production floor. But the tag of a small company, the initial perception, has stuck to us. We fancy ourselves as the guerrillas of the media industry, successful guerrillas. The first time we saw money was in the year 2000 when we did the IPO. I still remember the date — 14 February — as it was the day when the Sensex hit the highest. We managed to raise Rs 55 crore.

**Q: Your senior colleagues have stuck by you when poaching is rampant.**

**A:** I have always considered myself primarily a journalist. We have invested in our people through ESOPs and stakes. We have worked hard to retain people such as Senthil and Udayan.

*gurbir.singh@abp.in*

# Our prime investment is in minds that can



everest/WRITER/206-08

mbleness of mind, a constant desire for provement and the ability to look beyond the vious, these are the qualities we look for in ople. To provide specific, cost effective lutions that exceed our clients' expectations ne and again. Not just in locations across India t in destinations across the globe.

ur restlessness also guides each of our business cisions. So when others are satisfied with a odern information warehouse, we give our clients thing less than a seismic resistant, climate proof, fire retardant warehouse dedicated to document storage and information management.

In fact whenever you partner us, you'll find us reaching as far as the mind. Now that we're venturing into wellness and premium properties, you only have to ask your imagination to know what else we will accomplish.

CALL TOLL FREE 1800 209 1122

www.writercorporation.com

WRITER

As far as you can imagine

locations | Information Management | Cash Management | Logistics | Premium Properties

# An Inflation Reality Check

**by kenneth rogoff**

AS INFLATION CONTINUES TO SOAR EVERYwhere, maybe the world's central bankers need a jolt to awaken them from complacency. How about holding one of their bimonthly meetings in hyperinflationary Zimbabwe? It might not be comfortable, but it would be educational. According to Zimbabwe's official statistical agency, inflation topped 66,000 per cent in 2007, which looks more like Weimar Germany than modern-day Africa. While no one is quite certain how the government managed to estimate prices, given that there is virtually nothing for sale in the shops, most indicators suggest that Zimbabwe does have a good shot at breaking world records for inflation.

**Many economists argue that today's rising global inflation is just a temporary aberration**

Of course, curious as they might be, central bankers could decide that meeting in Harare would be too inconvenient and politically unpalatable. Fortunately, there are lots of other nice – albeit less spectacular – inflation destinations. Inflation in Russia, Vietnam, Argentina, and Venezuela is solidly in double digits, to name a few possibilities.

Indeed, except for deflation-ridden Japan, central bankers could meet just about anywhere and see high and rising inflation. Chinese authorities are so worried by their country's 7 per cent inflation they are copying India and imposing price controls on food. Even the United States had inflation at 4 per cent last year, though the Federal Reserve is somehow convinced that most people won't notice.

Many economists argue that today's rising global inflation is just a temporary aberration, driven by soaring prices for food, fuel, and other commodities. True, prices for many key commodities are up 25 per cent to 50 per cent since the start of the year. But if central bankers think that today's inflation is simply the product of short-term resource scarcities, as opposed to lax monetary policy, they are mistaken. The fact is that around most of the world, inflation – and eventually inflation expectations – will keep climbing unless central banks start tightening their monetary policies.

The US is now ground zero for global inflation. Faced with a vicious combination of collapsing housing prices and imploding credit markets, the Fed has been aggressively cutting interest rates to try to stave off a recession. But even if the Fed does not admit it in its forecasts, the price of this "insurance policy" will almost certainly be higher inflation down the road, and perhaps for several years. America's inflation would be contained but for the fact that so many countries, from the Middle East to Asia, effectively tie their currencies to the dollar. Others, such as Russia and Argentina, do not literally peg to the dollar but nevertheless try to smooth movements. As a result, whenever the Fed cuts interest rates, it puts pressure on the whole "dollar bloc" to follow suit, lest their currencies appreciate as investors seek higher yields.

Looser US monetary policy has thus set the tempo for inflation in a significant chunk – perhaps as much as 60 per cent – of the global economy. But, with most economies in the Middle East and Asia in much stronger shape than the US and inflation already climbing sharply in most emerging-market countries, aggressive monetary stimulus is the last thing they need right now.

The European Central Bank is staying calm for the moment, but it, too, is probably holding back on interest-rate hikes partly out of fear of driving the euro, already at record levels, even higher. And the ECB worries that if the US recession proves contagious, it may have to turn around and start slashing rates anyway.

So what happens next? If the US tips from mild recession into deep recession, the global deflationary implications will cancel out some of the inflationary pressures the world is facing. Global commodity prices will collapse, and prices for many goods and services will stop rising so quickly as unemployment and excess capacity grow. Of course, a US recession will also bring further Fed interest-rate cuts, which will exacerbate problems later. But inflation pressures will be even worse if the US recession remains mild and global growth remains solid. In that case, inflation could easily rise to 1980's (if not quite 1970's) levels throughout much of the world.

Until now, most investors would rather risk high inflation for a couple of years than accept even a short and shallow recession. But they too easily forget the costs of high inflation, and how difficult it is to squeeze it out of the system. Maybe they, too, should try holding a few conferences in Zimbabwe, and get a reality check of their own.

---

*The author is Professor of Economics and Public Policy at Harvard University.* *© Project Syndicate, 2008.*

everest/WRITER/206-08

Nothing can stretch as far as imagination.
Our range of services will disagree.

hen it comes to our services, change is the
ly constant. So our clients consistently
t more insightful, more efficient, more
lue adding services from us. Not just in
cations across India but in destinations
ross the globe.

case in point is our information management
rvices that take care of the complete
formation life cycle - from record & media
orage to imaging and secure destruction.

In fact whenever you partner us, you'll find us reaching as far as the mind. Now that we're venturing into wellness and premium properties, you only have to ask your imagination to know what else we will accomplish.

CALL TOLL FREE 1800 209 1122

www.writercorporation.com

WRITER

As far as you can imagine

locations | Information Management | Cash Management | Logistics | Premium Properties

# The Right Click

**by Meghana Biwalkar and Manashwi**

**MSN is ready to slug it out for a bigger share of online ads**

IN THE ONLINE ADVERTISING BUSINESS — estimated globally by market reseachers the Kelsey Group at $45 billion annually — Microsoft is no giant. Google leads the pack with 28.6 per cent market share, Yahoo with 15.5 per cent, while Microsoft has till now had to be content with just 4.77 per cent of the online advertising pie. So the Redmond-based company is building alliances and acquiring companies, and trying to catch up. Microsoft's bid to buy Yahoo! was an attempt at closing in on Google's No. 1 position in search and display advertising. Yahoo!, too, tried to strike a deal with Google to outsource its Web search advertising business in Europe. But disagreements on the revenue sharing model led to talks being abandoned. Rumours are rife that Yahoo! is now reopening those discussions. But will Microsoft give up that easily?

In the US, Microsoft's acquisition of aQuantiv last year — an agency with Web advertising technologies but not much ad market share — was among the initial steps to take on Google's dominance. And the battle has moved overseas. Over 48 per cent of Google's revenues now come from non-US markets, including India, most of which are in infancy.

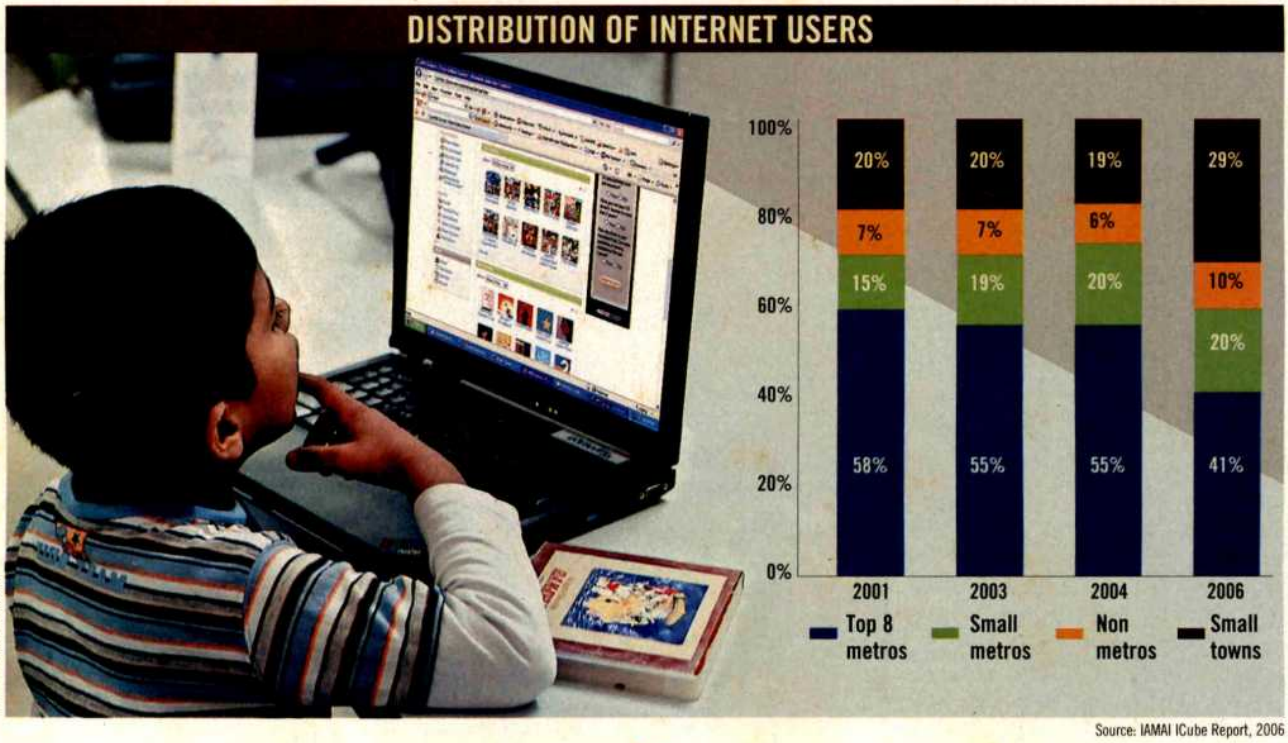
Online advertising in India currently accounts for just 1 per cent of the total Rs 20,000 crore advertising market, but is expected to go up by 3-4 per cent over five years. "The compounded growth rate is impressive, anywhere between 40-45 per cent," says Kushal Sanghave, managing director of Media Contacts India, the online marketing arm of Havas Media.

According to the 2007 study conducted by Internet and Mobile Association of India, India has 32 million active internet users (as of Sept. 2007); the government plans to introduce reforms to ensure broadband penetration in rural and mid-tier towns. Coupled with the fact that college and school students — who spend between two to six hours daily on the Net — account for over one-third of these users, online, as a medium of advertising, is hard to ignore.

For Google, India has been one of the fastest growing ad markets. "Businesses are cropping up across industries and all of them have some sort of product or service to offer to the ever increasing consumer base," says Shailesh Rao, managing director of Google India.

## Cashing In

Microsoft is making its move, too. On 22 February, it launched Microsoft Digital Advertising




TRIBHUWAN SHARMA

Source: IAMAI ICube Report, 2006

Solutions (MDAS) to gain traction in online advertising when the boom happens in India. "MDAS is a place for advertisers to find an aggregation of publishers who will deliver advertisers' message to the right audience," says Rajnish, India head of MDAS. "We have started by aggregation and monetisation of the Facebook, BollywoodHungama, HDFCSecurities and EquityMaster sites, and will soon have websites from verticals such as sports and travel, too."

Further impetus for diving into the online advertising business is that the value of a single user, in countries, such as the UK, where the online advertising market stands at $4 billion (Rs 16,000 crore), works out to $50 (Rs 2,000). In India it stands at a meagre $2 (Rs 80): a lot of growth potential.

Microsoft is not alone. Percept Knorigin, a Mumbai-based Digital Marketing agency, has a 'vertical' ad network, adChakra, where it has tied-up with niche websites in areas such as entertainment, travel, finance and technology. Advertisers pay based on the number of times their advertisement has been accessed (pay-by-click) by the audience.

But, is a full service model the right way to go, given online ad budgets of most top marketers stay slim or dependent mostly on return on investment?

## But Who's Buying?

"Audiences are now more picky about what they do online," says Viraj Malik, CEO and managing director of Percept Knorigin. "Aggregating vertical content and applying micro-targeting makes sense for brand builders and marketers."

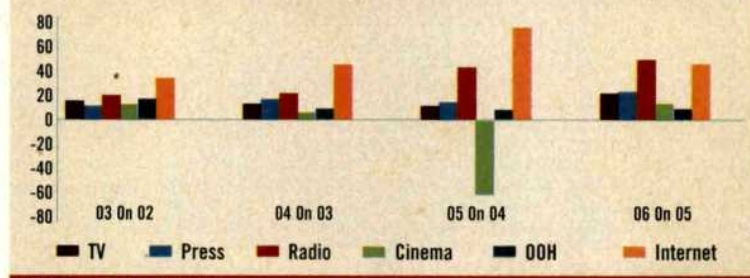
Initially, online businesses such as matrimony, travel, online auction and paid content sites, accounted for 75 per cent of all online advertising. Today, offline companies account for 35 per cent. Finance and real estate are the major advertisers online, with consumer goods and durables catching on fast. Most finance companies routinely allocate 6-8 per cent of their ad budgets to online media.

"In these two years we have moved beyond clicks," says Rajnish. Online advertising was sold on a pay-by-click basis as most companies, such as credit card and online companies, then used the internet for acquiring customers. Today, "marketing managers who want to build a brand for new products use the internet, and clicks don't figure anywhere in this equation", he adds.

MSN and Windows Live sell space on their portals on a time-band basis and the same will extend to the partner sites on MDAS. It involves advertisers paying for a space on the website for a particular duration of time, irrespective of audiences accessing the advertisement or not.

## MEDIA TRACKER

Internet and radio have clocked the fastest growth




Online ad market Estimates

| Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Online ad market (Rs. Million) | 600 | 1,000 | 1,630 | 2,700 | 4,200 | 6,000 |

Source: IAMAI ICube Report, 2006

## When Will The Fat Lady Sing?

Beyond targeting consumers, a few other elements make the internet a means to reach high consumption audiences. One is the basic cost-effectiveness of the online medium, a factor most appealing to marketing managers.

"Traditionally, direct-marketing expenses constitute any media plan," says Niraj Dutt, COO of NDTV Media, sales partner for MDAS. "Today, direct marketing has moved online; it is user-friendly, achieves the same results and costs peanuts."

Second, is the scope for interactivity. "We need more applications that can encourage other segments to be an active part of the Web," says Carl Noronha, national creative director of D'zine Garage, a Chennai-based Interactive company.

"What limits the reach is the absence of non-English sites." But Rao claims that is not an obstacle for Google. "We understood early on that language will play a very significant role in our game plan," he says. "Google search is already available in Hindi, Bengali, Telugu, Tamil and Marathi. We also allow our advertisers the choice of posting ads in Indian languages." Applications such as video TV and interactive streaming commercials also help overcome the language barriers and keep audiences hooked.

With such tools at the disposal of marketing managers, there are bound to be innovative gimmicks. Eventually it will come down to quantifying the successes or failures. One awaits the development of online advertising ratings to be able to truly judge who the real giants are.

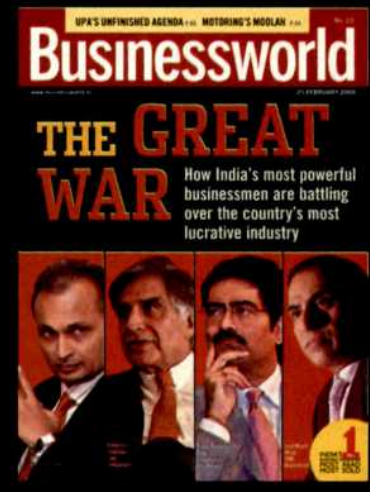
---

With inputs from Dhanya Krishnakumar in Bangalore

*meghana.biwalkar@abp.in*
*manashwi.banerjee@abp.in*

# SO MUCH LIKE A QUESTION PAPER LEAK. ONLY LEGIT.

By spotting trends and providing insights in an easy-to-read form, Businessworld prepares you for business risks and corporate challenges well in advance. Read Businessworld. Claim your unfair advantage.




**YOUR UNFAIR ADVANTAGE**

# Server Farms Are Coming

**by rajeev dubey**

DATA CENTRES - THEY'RE COMING. AS MUCH A necessary evil as they are infamous for guzzling power, data centres are growing at an enormous pace because they house the most significant asset of a knowledge economy — information. The irony of this business is that for every rupee spent on powering the servers, another is spent on cooling them.

They are home to the internet, they save terabits of information for banks, insurance companies and the world's largest websites and e-mail sites. They flourish where three key inputs are in plenty: cheap land, cheap power and cheap bandwidth. India has none of these, even though all these costs are falling. Yet, India is being projected as the future world capital of data centres. The indispensability of data centres in India's fast-growing knowledge and services economy will soon add a new dimension to domestic power woes. In developed countries, they consume as much as 4 per cent of the power produced by nations. Developing countries' average is 1.5 per cent, but is growing at an alarming rate.

**India's data centre capacity is growing at the fastest pace in Asia — twice that of China's growth rate**

India's power deficiency may still be unable to halt the data centre build-up. As of now, a majority of data originating in India resides in enormous server farms in the US, but there are still 700,000 sq. ft of third-party data centres being operated by Tata Communications, Reliance Communications, Sify, NetMagic and Ctrl S. Also, heavy internet and data users have either set up captive centres of their own or have opted for storing data in the US server farms for their reliability of uptime. So, another 1 million sq. ft is in captive centres being run by the likes of State Bank of India, Axis Bank, and a host of PSUs and insurance companies.

But all that is changing. As independent third-party players, such as Sify and Ctrl S, begin offering tier-IV service, which includes 100 per cent redundancy and 99.9999 per cent uptime, another 1.7 million sq. ft of capacity — twice that of Asia's second highest, China — is being added by different players until 2010. This would double India's capacity to 3.4 million sq. ft. And we don't yet know of any plans of world leaders such as Equinix and US Dataport. Over the years, as this growth accelerates, power needs will rise manifold. More so, because most software applications are migrating from standalone computers to the Web. Gartner estimates that 40 per cent of all software in future will be sold as a service on the internet, up from less than 10 per cent today. According to Web research firm Data Monitor, India's data business will grow at 22.2 per cent per annum over the next five years as against the Asian average of 12.9 per cent and a world average of just 5.9 per cent.

Sooner or later, these data centre operators will come under the onslaught of the power-starved. For instance, those in the US, particularly in California where 20 per cent of the world's servers are located, are being slammed by consumer groups for drawing enormous power from the grids while parts of the state are under blackouts. Every 10,000 sq. ft of data centre space consumes an average of 3-4 MW of power. The world's largest data centre, run by American firm US Dataport at San Jose, California, has 10 air-conditioned server warehouses on 174 acres of land. Built at a cost of $1.2 billion, it consumes 180 MW of power, enough to power 18,000 homes. In the US — the world's largest location for data centres — they consumed 61 billion kWh, equivalent to 1.5 per cent of US power production.

According to estimates, data centre servers worldwide have increased six times to 30 million units in the past 10 years. Energy consumption by data centres has doubled between 2001 and 2006, and is likely to double again by 2011, according to a study by the Environmental Protection Agency.

Keeping such power consumption in check remains the biggest challenge for centre operators, forcing them to work on 'greener' centres (See 'Green Processing' on page 67). Server and processor manufacturers are under pressure to develop technologies that reduce heat emission. AC manufacturers are testing new airflow techniques. Companies are piloting projects in cooler geographies, such as Ireland, to minimise the power consumed in air conditioning. Large operators have set some ambitious targets. IBM, the world's largest captive data centre operator, has announced a $1-billion investment per annum in doubling its computing capacity, without raising power consumption.

The data centre juggernaut is unlikely to stop. Perhaps, India's best chance lies in ensuring that those that are set up are efficient power consumers. At least, that's a lesser evil.

*rajeevdubey@abp.in*

Your potential. Our passion.
Microsoft
Microsoft
Visual Studio
SATISFY EVERYONE. COMPROMISE NOTHING.
NEW VISUAL STUDIO 2008.
Your challenge: build better apps for the desktop, the Web, the deadline. Defy it, with tools that crunch time, maximise experience, and deliver the goods. More tips and tools at microsoft.com/india/defyallchallenges
DEFY ALL CHALLENGES
McCann MSFT JR 08
© 2008 Microsoft Corporation. All rights reserved. Microsoft, Visual Studio, the Visual Studio logo and 'Your potential. Our passion.' are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries.

## Thulasidas is **trying** to **recreate** Air-India in the mould of **JRD**

# The Ghost of JRD

BAIJU KALESH

J.R.D. TATA, AS A GUEST SPEAKER AT A FUNCTION commemorating the fiftieth anniversary of Air-India, stunned the audience by saying, "Swiss Air is my favourite airline. The moment I check in I can feel the energies of all the airline staff to get the plane out on time." While this revelation dejected his audience, the person most affected by the ramifications of these words must have been JRD himself. Air-India was his most cherished enterprise; he launched it by piloting a single-engined De Havilland Puss Moth from Karachi to Mumbai's Juhu Airstrip via Ahmedabad under the then Tata Airlines.

The Air-India that grew under JRD's golden four-decade stewardship was legendary for its courteous and efficient service dispensed by glamorous air-hostesses, for its homely ambience, for its punctuality and for its world-famous mascot and India's first global brand, the Maharaja, which radiated an old-world charm. The Air-India that JRD was now witnessing was a different airline altogether. Flights were constantly late. Surly, grossly overweight air-hostesses snapped at passengers. Aircraft were often decrepit and ground staff handled check-in passengers like cattle. The Maharaja was all but dead.

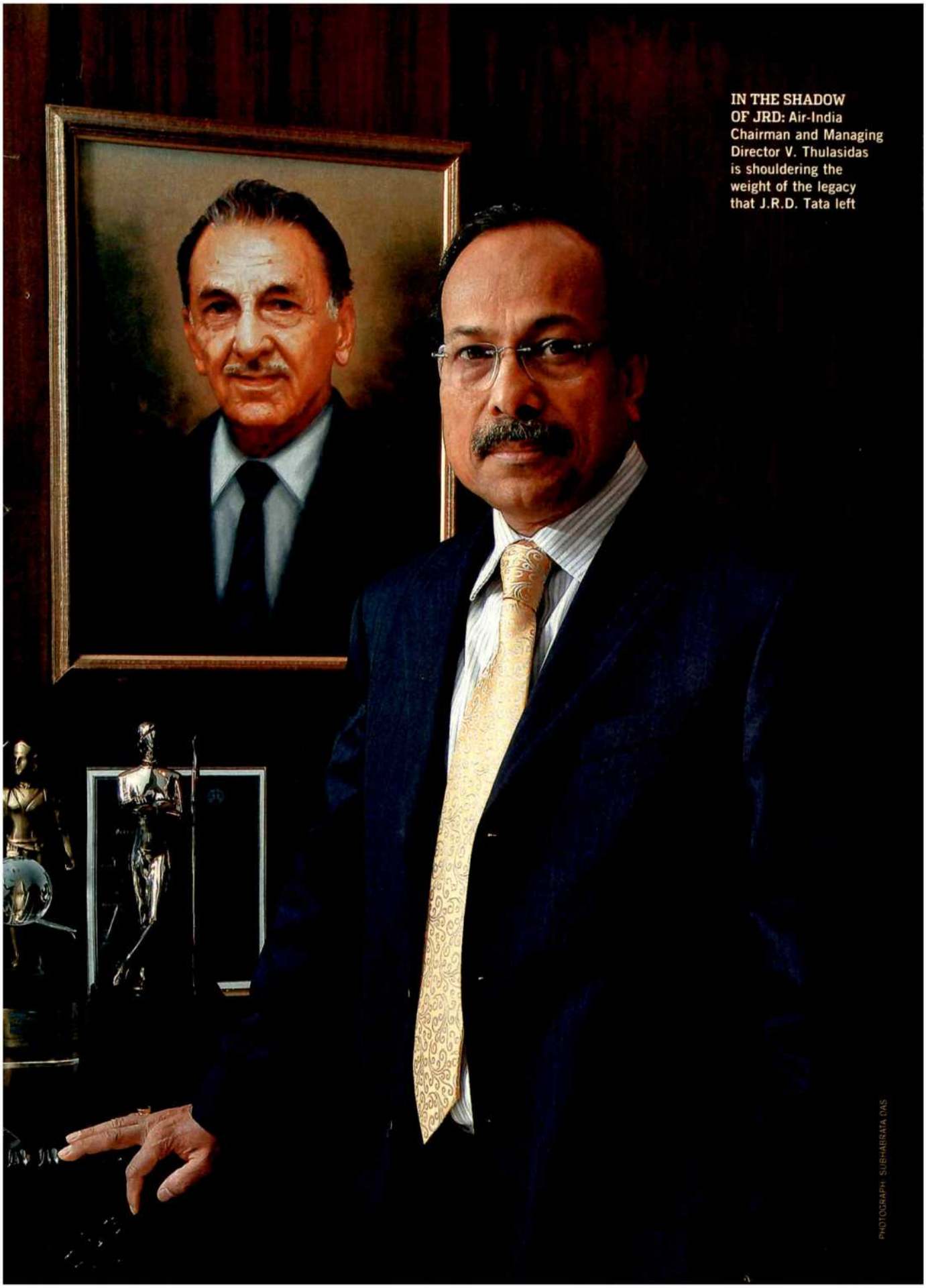
The man who is trying to change all that and breathe life back into JRD's airline is V. Thulasidas, a bureaucrat with a decade and a half of experience in various ministries, including those of defence and civil aviation. Thulasidas, who has so far managed to run Air-India for more than four years without a single strike, has begun to implement a four-pronged strategy to cure the ailing airline: bring in new planes and reduce dependence on Gulf routes; launch a low-budget carrier called Air India Express; merge Indian Airlines with Air-India; and expand global network by joining the world's largest airline alliance, Star Alliance. Thulasidas refers to these as his 'hardware' solutions. Equally crucial, are improving on-time performance and quality of service — his 'software' solutions, without which he won't be able to attract repeat customers.

EXECUTIVE SUMMARY

- **Thulasidas is trying to breathe life back into JRD's now ailing airline with a four-pronged strategy**
- **Impeccable service and on-time performance are watchwords for him. And so are the right spirit and atmosphere that help usher in change**

## Now And Then

In today's Air-India, a serious lack of morale plagues its staff worldwide. While on-ground personnel are often brusque, and check-ins are frequently chaotic and stressful, the vibes in the sky are downright appalling. Grumpy, overweight air-hostesses are known to throw blankets at passengers and fling trays on tables. The average Indian passenger can be a nightmare to deal with — loud, messy and full of demands and complaints — but cabin crews routinely exhibit a lack of training and patience. Adarsh Gupta, a business executive with a multinational company who regularly flies Air India, recently took a flight from Hong Kong to Mumbai. The flight was delayed by two hours and the inflight service was unsatisfactory. To beat the



**IN THE SHADOW OF JRD:** Air-India Chairman and Managing Director V. Thulasidas is shouldering the weight of the legacy that J.R.D. Tata left

PHOTOGRAPH: SUBHABRATA DAS

AIR INDIA / ARCHIVE

**PINING FOR THE OLD MAGIC:** Air-India is now trying to recreate the old magic so symbolised by those charming ads

cold, Gupta asked for a blanket. The air-hostess said curtly that it was on the seat. But when he could not find the blanket on the seat and asked again, she threw the blanket on his lap. Worse, an old lady was struggling to put up her baggage and instead of helping her, the air-hostess just gave instructions. Gupta vowed not to fly in India's national carrier. Hormuz Mama, an avid aviation writer for more than four decades, remembers once JRD cleaned the wash basin while travelling in India. He used to look at the minutest of details. JRD had a habit of calling customer relations executives as a passenger to know how they responded to calls, says Hement Oulkar, former AI deputy sales manager who worked with the airline for 35 years. He was one of many to receive JRD's calls.

Glamour queens and aspiring socialites such as Maureen Wadia, Parameshwar Godrej and Nina Pillai were once Air-India hostesses who met their wealthy future husbands in the sky. Now, laments a retired executive, Air-India hostesses have been reduced to glorified ayahs.

Thulasidas is intent on sprucing things up. He has recruited 1,200 young graduates for cabin crew positions with a new policy that 70 per cent of recruits will be women with a much lower average age of 21. Last week, 38 air hostesses suffered the indignity of being grounded for not meeting the body-weight-height ratio.

Still, rude service is nothing compared with the one issue guaranteed to raise the hackles of airline passengers — punctuality. A 1997 JD Power & Associates survey on the airline industry states that out of all the airline slip-ups that really infuriate passengers the most, 22 per cent, pointed to low on-time performance, far ahead of the 15 per cent who said they ranked service as their top priority.

Once JRD had to apologise to his passengers for landing before time in Mumbai — a story that sounds absurd and hilarious considering the tardiness of the current airline. The post-JRD era Air-India is legendary for being chronically late on most sectors.

Gordon Bethune, the CEO responsible for the turnaround of Continental Airlines, says in his book *Worst to First* that they "took on-time percentage as our macro metric basic indicator of whether we are doing well". After compensating his staff well, the airline clocked a 71 per cent on-time rate in its first year. By its second year, Continental became one of the world's top 10 airlines. Perhaps, Thulasidas should make it mandatory reading for his managers.

## What Went Wrong

During the last two-and-a-half decades, Air-India was desperately short of planes, but an inept government refused to place an order for new ones. It was catastrophic. Unable to service its routes, the airline was forced to withdraw from lucrative and strategically important but high-cost European and US destinations. Instead, it switched to the low-cost, money-spinning Gulf routes that were much shorter in length in order to stay afloat. This destroyed Air India. In just a few decades, the airline lost a large volume of its passengers and employee morale plummeted. Even as recently as 1994, a proposal to buy 20 jets was delayed by more than a decade. Since then, other airlines have taken over Air-India's space. Thulasidas believes the golden period of Air-India was 1950-70s. Nor is he shy to admit that they have worst on-time performance. "We have many inadequacies," he says, sitting in his 21st-floor office, which has remained untouched after JRD left in 1977.

Contrast this with Air-India under JRD in the 1960s, when the ministry similarly stymied proposals to buy new planes. He simply dashed off a note to the then prime minister Indira Gandhi with his request, addressing her as 'Dear Indu', recalls a managing director of the airline who was mentored by Tata. Gandhi responded by addressing him as 'Dear Jeh' in her letter to him. The next thing you knew, the order was approved. JRD's considerable charm and his skill with people opened many doors for the airline. Cyrus Guzder, managing director of Air Freight, a courier logistics provider, says, "Don't think there was no political interference. JRD once told an audience, 'I have very little to

AIR INDIA

EPSON
EXCEED YOUR VISION

# WORLD NO.1

## BIG ON IMPACT . BIG ON FEATURES

## Multimedia Projector

# EMP-S5/X5

3LCD

**EMP-S5 MRP: Rs.45,100**
Brightness: 2000 Lumens • Resolution: SVGA (800x600) • A/V mute slide for convenience

**EMP-X5 MRP: Rs.61,400**
Brightness: 2200 Lumens • Resolution: XGA (1024x768) • A/V mute slide for convenience

**Epson Multimedia Projectors**
THE WORLD'S NO.1*

Email emp@eid.epson.co.in
Epson Helpline: For product info and service - 1800 425 0011 (9AM - 6PM) . For service (CDMA & Mobile) - 3900 1600 (9AM - 6PM) (Mon - Sat)

*Consecutive Past 4 years, Source: Worldwide Market Share 2006, Decision Tree Consulting Limited

www.epson.co.in

do with Air-India. It is a well-oiled machine. My only job is to protect my managers from Delhi."

## Turning Around

Thulasidas may not have the towering personality of JRD, but he does have connections —Finance Secretary Subba Rao and Foreign Secretary Shivsankar Menon were his batch mates from the IAS, and Aviation Secretary Ashok Chawla one year his junior. Plus, he gets along with his minister, Praful Patel. Connections work. The public investment board cleared the aircraft purchase request with lightening speed, something his managers were cynical about.

Air-India has recently received the first batch of the 60-odd planes that it ordered from Boeing sometime ago. Among them are the sleek, top-of-the-line, long-haul 777-200 — the ultimate in modern luxury in the premier classes and surprisingly spacious even in the economy sections. And the non-stop flights to New York are especially gaining traction with the jet-set business types. Individual sleeperettes, with 180-degree reclining seats, accompanied by personalised visual entertainment in first and business classes, and quality service have brought back high-fliers like Ratan Tata, Anil Ambani and Rahul Bajaj into Air-India's fold.

These new planes seem to have already performed some miracles for the airline. Thulasidas claims that on-time performance for the Mumbai-New York sector in the last seven months has been an incredible 99.9 per cent. A senior commander flying with the airline for 17 years says there has been a visible improvement in the attitude of staff since these planes arrived. A mix of young and senior staff, courteous service and fast turnaround did the trick. But to fill up seats, it needs to get the trust of the passengers, and this will take some more time.

## The Urge To Merge

Merging the domestic carrier, Indian Airlines, with Air-India was another priority for Thulasidas. Right from the start, he realised that no airline would be able to completely succeed without domestic support in the form of a hub-and-spoke arrangement between home and overseas routes. Even four of the six largest airlines in America are now considering a merger for the same reasons. In a presentation to the civil aviation ministry in February, Air-India has estimated that it would save Rs 874 crore by 2010 from the merger. Next year alone, it figures to save Rs 367 crore, a significant part of which will come from the ability to now bargain for bigger discounts from oil companies due to its larger size.

The merger has its own cynics. A former managing director thinks that the merger was done in haste. He points to the merger of British Overseas Airways Corporation, with long-haul carrier British European Airways — a proposal that took seven years to con-

## GLAMOUR OF THE AIR-INDIA GIRLS

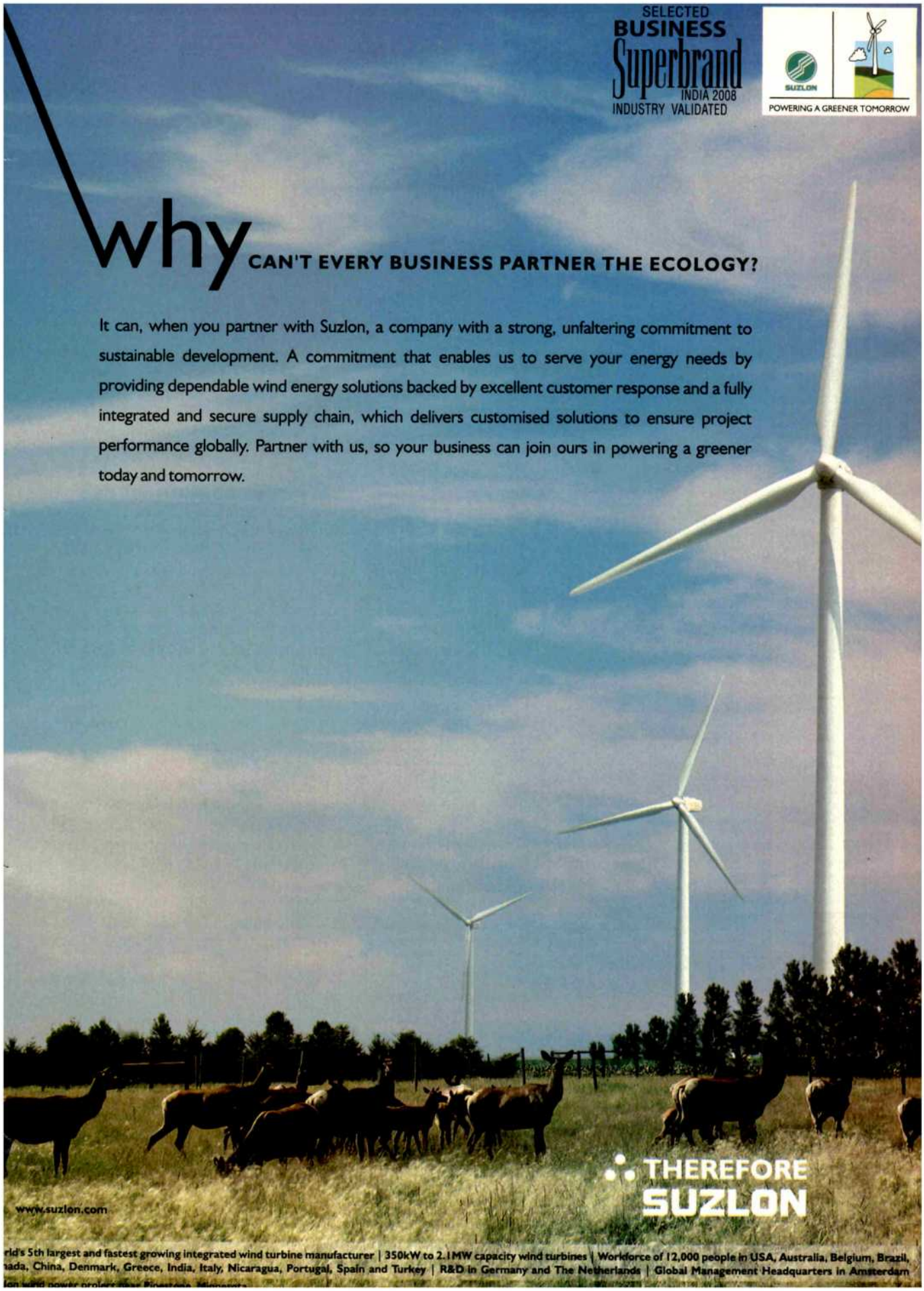
AMIT VERMA

**IN THE 1960s, a bevy of fair-skinned, curly-haired, Scarlett O'Hara look-alikes, Anglo-Indian lasses by the names of Peggy Henderson, Dorothea Wilkins and Ray Solway were among Air-India's first air-hostesses. This chic glam-team matched the jet-set image of Air-India International, the world's first all-jet airline.**

**With Bollywood drawing the voluptuous, short and vernacular-looking beauties, Air-India was the place for the tall, sophisticated girls with beauty contest titles. No wonder, the suave Nusli Wadia found his perfect life partner in stewardess Maureen, and Adi Godrej in Parmeshwar. Even actor Jeetendra found his perfect wife Shobhaa from the cache of Air-India's elegant beauties.**

**In the 1970s, out went the Dizzy-Miss-Lizzy European look, and in came the Maharaja era with the airline's first Boeing 747-200, 'Emperor Ashoka'. The Air-India hostesses were dressed like Maharanis and the cabin created to look like palaces with arched painted windows. Business-class passengers feasted their eyes on stewardesses with beautifully embroidered lehenga-choli uniform complete with a head dupatta. The others were outfitted in beautiful silk sarees and bouffant buns. The famous Air-India-cut blouse style is, in fact, even today carried off gracefully by Sonia Gandhi. This blouse had a high back that came forward in V-neck to prevent any inelegant cleavage show in the process of bending. The length was long to cover any midriff or tummy showing. The sleeves were long till mid-arm. The look was of perfect elegance, where any kind of skin show looked gross, and comfort and it has ease for the wearer. The same style was also adopted by Indian Airlines and both remain till date. The grace of the silk saree on slim, gracious girls, and the ubiquitous 'namaste', was Air-India's perfect brand identity along with the incorrigible Maharaja. A far cry from the grounded, overweight air-hostesses of the same airline today.**

*Jyoti Thapa Mani*


SELECTED
BUSINESS
Superbrand
INDIA 2008
INDUSTRY VALIDATED
SUZLON
POWERING A GREENER TOMORROW
why CAN'T EVERY BUSINESS PARTNER THE ECOLOGY?
It can, when you partner with Suzlon, a company with a strong, unfaltering commitment to sustainable development. A commitment that enables us to serve your energy needs by providing dependable wind energy solutions backed by excellent customer response and a fully integrated and secure supply chain, which delivers customised solutions to ensure project performance globally. Partner with us, so your business can join ours in powering a greener today and tomorrow.
THEREFORE
SUZLON
www.suzlon.com
rld's 5th largest and fastest growing integrated wind turbine manufacturer | 350kW to 2.1MW capacity wind turbines | Workforce of 12,000 people in USA, Australia, Belgium, Brazil, nada, China, Denmark, Greece, India, Italy, Nicaragua, Portugal, Spain and Turkey | R&D in Germany and The Netherlands | Global Management Headquarters in Amsterdam

## Revenues and expenditure

Source: Company balance sheet

SUBHABRATA DAS

**MAN-IN-CHARGE:** Thulasidas may not have the towering personality of JRD, but he does have connections, the will to work and a temperament attuned to change.

ceive as against just a few years it has taken in India. However, George Abraham, a union leader who leads over half of Air-India employees, says the unions have been taken into confidence for buying planes to selecting uniforms. "Now we have the right machines and manpower." But there are elements who want to sabotage the merger, he says.

### The Right Moves

Another prescient move by Thulasidas to redress the damage done by switching from the 'prestige' European and US sectors to Gulf-oriented ones is to introduce low-cost Air India Express, which flies on short-haul sectors, and specifically, Gulf-bound traffic. This venture seems to be a resounding success. Air India Express has already reported a net profit of Rs 16 crore in the second year of its operations.

In today's globalised world, an airline that does not offer its customers the currency of frequent flier miles, which they can cash in on a wide web of airlines, is a severe handicap. Air India, having withdrawn from many of its prestige routes and not being part of any major airline network, was languishing in the dark ages and Thulasidas knew it. He spent 18 months to convince Wolfgang Mayrhuber, the chairman of Lufthansa, and a key member of Star Alliance, to allow Air-India to join its club. Thulasidas sold Air-India's future plans, and it worked. By the end of March, Air-India will be part of the Star Alliance — a move which will allow its passengers to fly in 21 carriers to more than 30 destinations, use their lounges and earn miles in the network's frequent-flyer programme.

That's not all. Thulasidas is also angling to make Frankfurt the airline's Western hub. Its passengers will be able to fly directly into this hub and then use the Star Alliance network to hop-scotch to other destinations.

Financially, the airline is in bad shape. Its net worth is an abysmally low Rs 3.4 crore and its debt is a gargantuan Rs 40,000 crore. To bring in some cash, the airline will have to streamline its operations and restructure all of its businesses as profit centres.

The people who have ruined Air-India are the many meddling bureaucrats and politicians over the past few decades who had no idea how to successfully run a business, leave alone an airline. While Thulasidas has made all the right moves, for the airline to succeed in the long run, it needs to be de-linked from parliamentary control. A board of directors who understand consumers and markets should be appointed. A professional manager needs to be brought in after Thulasidas exits. Finally, the company should be floated to the public and stock options be given to its employees to enhance a sense of ownership and accountability. Without these measures, the airline is destined to never really take off.

*baiju.kalesh@abp.in*

www.bits-pilani.ac.in

# It takes a world class institution to help make India a developed nation.

**Late Shri G.D. Birla**
Founder Chairman, BITS Pilani

VISION
"...to develop a scientific approach in Pilani...no dogma...search for truth... cultivate a scientific mind."

**Dr. K.K. Birla**
Chancellor, BITS Pilani

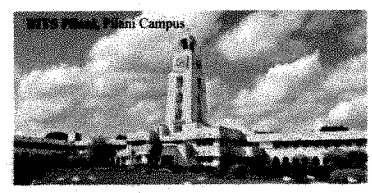
MISSION
"...to prepare young men and women to act as leaders for the promotion of the economic and industrial development of the country and to play a creative role in service to humanity."

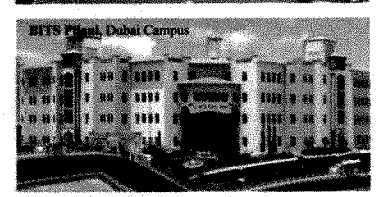
BITS has produced a large number of graduates who have made their mark in various industrial sectors such as Manufacturing, IT, Infrastructure, Consultancy, Finance, Arts and also in Government and Academia. Notable alumni of BITS include:

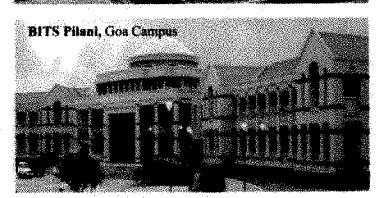
- **Prof. Krishna Saraswat** ( Rickey Nielson Professor of Engineering, Stanford University, USA, and winner of the prestigious ISO Techno Visionary Award )
- **Prithvi Raj Chauhan** ( Minister of State in PMO )
- **Baba N Kalyani** ( CMD, Bharat Forge Ltd. )
- **Vivek Paul** ( Former Vice Chairman, Wipro and currently Partner, Texas Pacific, USA )
- **S K Roongta** ( Chairman, SAIL)
- **GK Pillai** ( Chairman & MD, Heavy Engineering Corporation Ltd. )
- **Puneeta Pandey** ( CEO, Netcustomer )
- **Mani Shankar** ( Noted Film Director )
- **Rajesh Hukku** ( Senior VP & GM, Oracle; Chairman, i-flex Solutions )

**Features that set BITS apart**

- High-quality students
- Multi-campus university
- Student strength: 8000 at Pilani, Dubai & Goa Campuses and 12,000 in Off-Campus Work-Integrated programmes
- Computer-based online admission test (BITSAT)
- Academic Flexibilities -Dual Degree- A unique combination of science and engineering education
- Cafeteria approach to course offerings since 1970
- Continuous, internal, transparent evaluation system
- Practice School - Strong linkages with Industries
- State-of-the-art institutional library with over 2 lac books
- Campus-wide IT network
- Scholarships to 22% of students
- Many Board-toppers join every year
- Large number of alumni in top positions in India and abroad
- Industry sponsored projects
- Many societal development projects- rain water harvesting, desert development technologies, women empowerment, healthcare, gyanbodh
- Culturally vibrant campus
- Collaboration with foreign universities of repute



EDUCATIONAL INNOVATIONS
ENDURING RELATIONS

www.thecreativewarehouse.net

# Unequal Citizens

**by Sumati Nagrath**

**Disagreement rules the legal status of overseas Indians**

WE HAVE CLAIMED ASTRONAUT SUNITA WILLIAMS, filmmaker Gurinder Chaddha, golfer Vijay Singh and Prime Minister Navinchandra Ramgoolam as our 'own'. So what if they are US, British, Fijian and Mauritian citizens, respectively? But even as the State appropriates their achievements as 'Indian' ones, it is failing the very people who have chosen to return 'home'.

Keen to encourage the 25 million overseas Indians to invest in their 'home' country, India's Parliament amended The Citizenship Act (1955) to make way for the Overseas Citizenship of India (OCI) in 2005, an improvement on the 2002 Persons of Indian Origin (PIO) scheme.

Policy, however, has not translated into practice, something that Pamela Jamus, a British citizen who has opted for the OCI found to her dismay. Jamus moved to India in May 2006 to be with her husband, an Indian citizen, and applied for and got the OCI in February 2007. But she was in for a rude shock when she realised that she was unable to practise her profession as a dental surgeon and an implantalogist in India. "The OCI says I can do everything but vote," says Jamus, a graduate of the United Medical School of Guys and Kings Hospital, London. "Unfortunately, the Dental Council of India says that, though I am an OCI and my medical qualifications are recognised and highly valued, due to some archaic points in their Act [The Dental Act of 1948], they require me to change my nationality. This makes the OCI irrelevant."

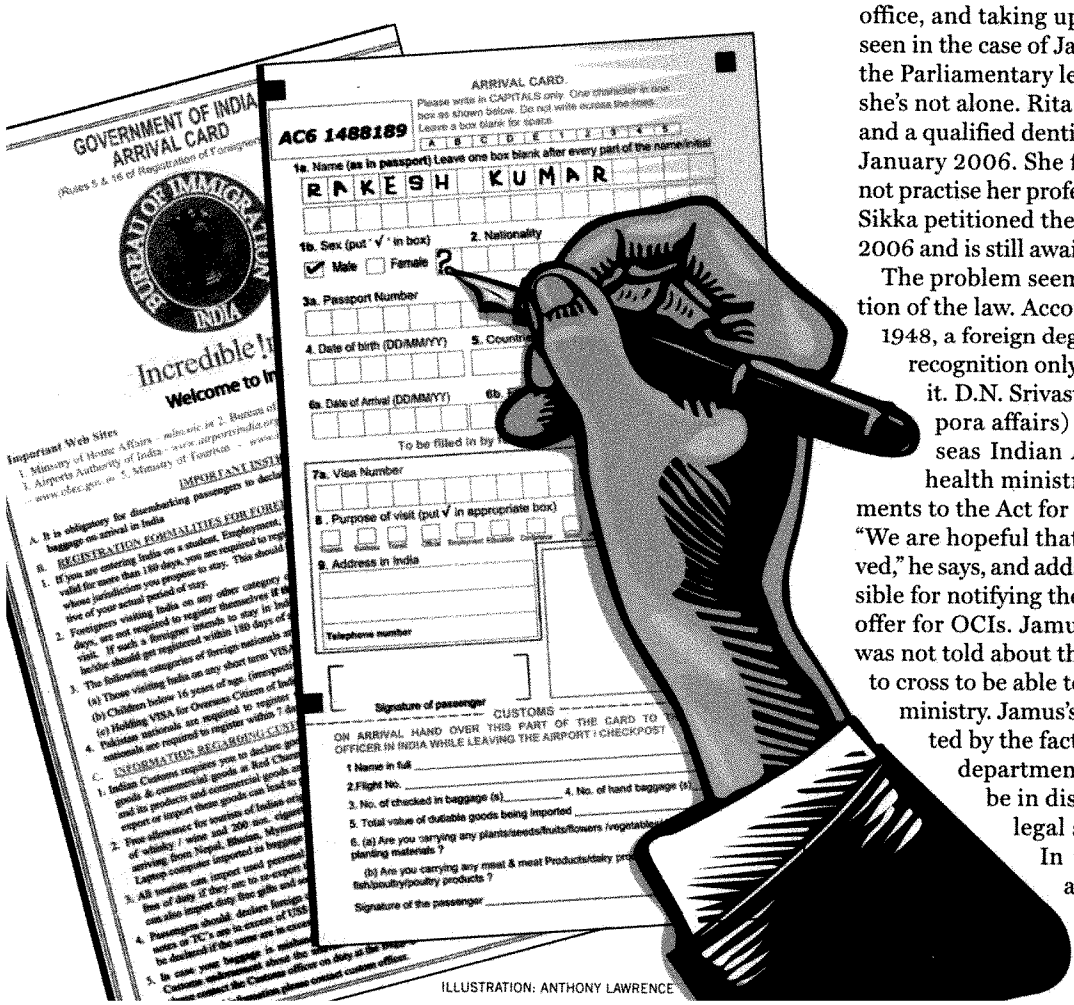



ILLUSTRATION: ANTHONY LAWRENCE

### Toothless Policies

Launched with much fanfare, the OCI scheme states that a person holding an OCI is to be treated on a par with NRIs (non-resident Indians) in respect of economic, financial and educational fields, except in relation to acquisition of agricultural properties. A PIO card holder, too, has the same status. However, OCIs and PIOs are barred from voting, holding constitutional office, and taking up government jobs. But as seen in the case of Jamus, the decision taken at the Parliamentary level is not overriding. And she's not alone. Rita Sikka, a Canadian citizen and a qualified dentist also acquired an OCI in January 2006. She found that she, too, could not practise her profession in India. Frustrated, Sikka petitioned the Delhi High Court in May 2006 and is still awaiting a judgment.

The problem seems to lie in the interpretation of the law. According to the Dental Act of 1948, a foreign degree may be considered for recognition only if an Indian citizen holds it. D.N. Srivastava, joint secretary (diaspora affairs) at the Ministry for Overseas Indian Affairs (MOIA), says the health ministry needs to make amendments to the Act for the matter to be resolved. "We are hopeful that the matter will be resolved," he says, and adds that the MOIA is responsible for notifying the facilities and benefits on offer for OCIs. Jamus, however, says that she was not told about the hurdles she would have to cross to be able to practise dentistry by the ministry. Jamus's predicament is exacerbated by the fact that various government departments and ministries seem to be in disagreement regarding the legal status of OCIs and PIOs. In fact, many governments across the world today are trying to come to terms

with the reality of increasingly mobile populations that float in and out of territorial borders.

In India, the final responsibility of clarifying the status lies with the home affairs ministry, which is still pondering over whether the OCI is on a par with Indian citizenship. The confusion stems from the fact that the OCI does not actually grant dual citizenship. The in-betweenness of the OCI has its roots in political discord. The BJP was in favour of granting full dual citizenship as a means of appeasing and further cementing its support amongst overseas Indians. The Congress, fearful of the kind of funding such an act would mobilise for the BJP, devised a rather half-baked scheme, wherein a person who holds an OCI is in reality granted an Indian visa, not an Indian citizenship. One does not get a separate passport, instead one gets a registration certificate in the form of a booklet and a multiple entry, multi-purpose OCI 'U' visa sticker for the existing passport.

### The Fog Thickens

Despite a clearly stated policy, the confusion regarding the parity between NRIs and PIOs/OCIs permeates other ministries too. Niira Radia, also an OCI, holds 60 per cent stake in Magic Airlines Pvt. Ltd., which applied for a scheduled operator's permit for a low-cost airline, Magic Air, in February 2005. However, the permission was blocked because the civil aviation ministry and the Department of Economic Affairs (DEA) differ with other ministries over the status of PIOs and OCIs. "It has been three years, and we are still awaiting an NOC," says S.K. Narula, chairman of Magic Air.

According to RBI regulations, an OCI/PIO is to be treated on a par with an NRI and is allowed to invest 100 per cent in a domestic airline through the automatic route, unlike foreigners whose investments are capped at 49 per cent. While the Department of Industrial Policy and Promotion (DIPP) of the Ministry of Industry and Commerce agrees, the DEA and the civil aviation ministry maintain that PIO/OCI investments should be treated as FDI. "The policy of the Ministry of Civil Aviation regarding PIOs and OCIs is very clear," says Ashok Chawla, secretary of the civil aviation ministry. "It stipulates that a scheduled/ non-scheduled air transport operator's permit can be granted only to a citizen of India." He accepts what the FEMA regulations state, but adds that there are other specific sectoral regulations regarding FDI on the basis of security and other concerns.

The issue of OCIs being accorded a dispensation similar to NRIs in case of FDI in air transport services was considered by the Cabinet a year ago, which had then directed a Group of Ministers (GoM) to examine it. However, Chawla was unable to say if the GoM had in fact met until now, or given recommendations that had been taken into account in the new FDI policy announced by the Cabinet in January.

### LURING NRIS BACK: WHAT THE LAW SAYS

THE constitution of india does not allow holding indian citizenship and citizenship of a foreign country simultaneously. But based on the recommendations of the High Level Committee on the Indian diaspora, the government decided to grant an Overseas Citizenship of India (OCI) in 2005. The OCI is neither available to people of Indian origin holding Pakistani and Bangladeshi citizenships, nor to those who are citizens of a country that does not permit dual citizenship in some form or another. According to Section 7B(3) of The Citizenship Act of 1955, the over 100,000 registered OCIs at the moment are entitled to the following benefits:

- Multiple entry, multi-purpose, life-long visa to visit India
- Parity with NRIs in financial, economic and educational fields except in the acquisition of agricultural or plantation properties

### First Port of Call

It would appear that all that the PIO and OCI schemes have managed to do is to work as life-long visas and ease immigration process — hardly what they set out to do. Oisika Chakrabarti, a communications professional from New Jersey, acquired an OCI in February 2007 and is thrilled that she does not have to get a visa for visiting India anymore. "Clearing immigration has been a breeze," she says, but adds that is only because "I have made several trips to India in 2007 and now know which desks are for OCIs". But it's not just the lack of clear and visible signage that's a problem. Even the landing cards, divided into two categories — Indian nationals and foreign nationals — do not take account the special status of the OCIs.

And as they struggle to fit in their personal details into pre-existing bureaucratic forms, many overseas Indians are beginning to wonder about the ability of the Indian government to adapt to the needs of a globalising world.

*sumati.nagrath@abp.in*

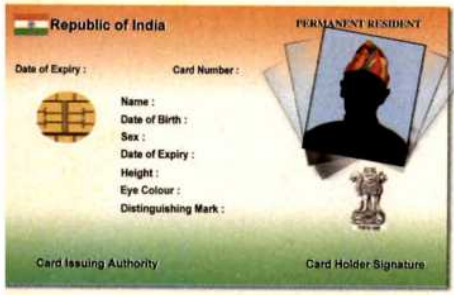
# Identity Crisis

**by Jyoti Thapa Mani**

## Citizenship issues plague Nepali-speaking Indians too

KIRTI SINGH BIST, DEVENDRA GUSAIN AND KULDIP Singh Rana are among 48 residents of Chamoli district in Uttarakhand who, despite holding identity cards issued by the Election Commissioner of India, have been categorised as foreigners and have had their ration cards cancelled by the district supply officer. Why? Because they speak the Nepali language.

In neighbouring Pithoragarh district, in village Darim-Khola, Karam Chandra Baral, a fifth-generation Indian domicile resident (whose ancestors came from Nepal), owns a portion of land duly registered and mutated in his name. However, he cannot build his house on it, because the revenue authorities and Pithoragarh Police identified him as a Nepalese citizen. Baral is also threatened with dispossession of his lawfully purchased land.




**WHO YOU?** The MNIC has led to bonafide Indian citizens being clubbed with other illegal migrants

In Nagpur, Maharashtra, Sitaram Thapa, a permanent employee at Kishen Gurunanak School since 1995, worked as a night guard on a gross monthly salary of Rs 6,000. He was told his salary was to be reduced to Rs 2,500 as a casual labourer because the Maharashtra Education Department had no provisions for employment of guards. When the matter was taken up in the Nagpur Lower Court, the school in its affidavit claimed that Thapa was a Nepalese citizen. Subsequently, in January 2008, the Court asked Thapa to prove his Indian citizenship.

All three acts happen to be unconstitutional. The Eighth Schedule of the Indian Constitution lists Nepali among 22 recognised Indian languages. And the 1950 India-Nepal Friendship Treaty allows citizens of both countries full access to all privileges on both sides of the border. Article 7 of the Treaty states: "The Governments of India and Nepal agree to grant, on reciprocal basis, to the nationals of one country in the territories of the other the same privileges in the matter of residence, ownership of property, participation in trade and commerce, movement and other privileges of a similar nature."

Says D.S. Garbiyal, district magistrate of Chamoli, "The ration card cancellation is under enquiry at the sub-divisional magistrate's court." Meanwhile, the 48 Nepali-speaking people in Chamoli continue to starve.

Nepalese and Indians have common ethnic roots from time immemorial. In fact, Uttarakhand, parts of Himachal Pradesh and Nepal formed one country, duly recognised as such by the British-India rule. In 1815, by virtue of the Treaty of Sagauli signed between Nepal and British-India, Nepal had to cede Kumaon, Garhwal, today's Himachal Pradesh, the Terai region and Sikkim-Darjeeling to British India. The Treaty of 1860 returned the Terai lowlands to Nepal. And then came the 1950 Treaty.

Today, Nepal performs the role of service provider to India, especially to Indian defence, while Indians are largely business investors in Nepal. Top Indian industrial houses, such as Dabur and ITC, have substantial business presence in Nepal. The Nepali-speaking population in India comprises mainly of Indian Gorkhas (descendants of the Indian Gorkha regiment from the 19th century), India-domiciled Nepalese migrants, Nepali-speaking Indians of non-Nepalese descent and Nepalese citizens serving in India. The fourth is the only foreign category, but is still protected by Article 7 of the 1950 Treaty.

The free flow of people between the two countries has created another problem. There are millions of people of Nepalese origin living in India for decades and vice versa, who do not posses either Indian or Nepali citizenship papers. They face dissolution of their property, non-grant of ration cards or even pensions, alongside the trauma of suddenly being categorised as illegal migrants.

The introduction of the Muti-purpose National Identity Card (MNIC) by the UPA government in 2006 has made matters worse. The objective of this card is to increase national security, manage citizen identity and facilitate e-governance. In simple words, flush out infiltrators. This pilot project has been launched in 20 select infiltration-prone sub-districts of 13 states and Union Territories. The MNIC has led to bonafide Indian citizens being clubbed with other illegal migrants, especially because when MNIC was introduced, no details of the 1950 Treaty were provided to the various states.

It seems like the 1950 Treaty, though still existent on paper, has ceased to be functional on the ground, leading to harassment of vulnerable people by exploiters, land-grabbers, and politicians playing ethnic games.

*jyoti.thapa@abp.in*

# Not Just A Logo But An Initiative That Will Benefit 65 Lakh Weavers & Protect A Rare Skill & A Proud Legacy

Shri Shankersinh Vaghela
Hon'ble Minister of Textiles, Govt. of India

Smt. Sonia Gandhi
Hon'ble Chairperson, UPA

Dr. Manmohan Singh
Hon'ble Prime Minister of India

Shri E.V.K.S. Elangovan
Hon'ble Minister of State for Textiles, Govt. of India

# Handloom Mark

## The Assurance of Real Handloom Creations

Handloom

Every product that bears the 'Handloom Mark' certifies the authenticity of the product being an original hand-woven produce created by 6.5 million handloom weavers

**Office of the Development Commissioner (Handlooms)**
Ministry of Textiles, Government of India
www.handlooms.nic.in

**Textiles Committee**
(Implementing Agency)
Ministry of Textiles, Government of India
www.textilescommittee.gov.in

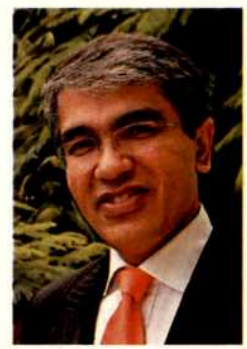
SPAN

India's rich heritage. Use Handloom products with pride

# Labouring Reforms

**by manish sabharwal**

TWO DANGEROUS MYTHS ABOUT OUR LABOUR markets are; a) Corporate India will gain from labour reform, b) the Left parties and trade unions are pro labour. Our current labour regime is minority rule and friendly fire that hurts the very people it masquerades to protect. Both these myths must be busted because growth is a necessary but not sufficient condition for poverty reduction. The poor need access that only inclusive labour markets can give.



**The myth that labour reform is anti-labour is perpetuated by the Left and trade unions in self-interest**

The first myth does not recognise that corporate India has made peace with our 25,000-plus labour laws because of the transmission losses between how the laws are written, interpreted, practiced and enforced. They are a thorn in the flesh but not a dagger in the heart. Companies would welcome reform, but it is not their binding constraint. Labour laws, in effect, do not hinder job creation but just make sure all job creation happens in the unorganised sector.

The second myth is clever marketing that positions self-interest as national interest. The Left parties and trade unions represent less than 4 per cent of India's 440 million workers and issues such as provident fund, defined benefit pensions and job security guarantees are irrelevant for most workers. Left parties and trade unions are not pro labour or pro poor, but pro unions.

Both these myths have made reforming labour laws a policy orphan and political untouchable. How has a small, but vocal, minority of privileged insiders (largely not poor, middle aged men in organised labour) positioned their needs ahead of the handicapped majority? What explains the higher moral outrage of politicians when somebody looses their job than when somebody is unemployed? Political scientist Mancur Olson called this dysfunctional outcome, where special interests overwhelm greater good, the "power of distributional coalitions". These "insiders" want to distribute the pie in their favour rather than increase its size for everybody to partake. But an important responsibility of a democratic state (the executive, legislature and judiciary) is preventing this hijacking.

The debate about whether labour reform will accelerate organised job creation is crucial, complicated and unresolved, but the current regime has many unintended and damaging consequences. Unorganised employment has 50 per cent higher employment elasticity than the organised sector and accounted for all net job creation in the last 17 years. Labour laws have encouraged the substitution of labour by capital, particularly in low-skill manufacturing jobs that are the global portal for farm to non-farm transitions. Blue-collar workers suffer information asymmetries, low labour mobility, and poor skills, but our labour laws create opportunities for blue-collar exploitation by individuals with criminal, regulatory or political connections that provide regulatory arbitrage. For example, 99 per cent of temporary/ contract labour workers (80 million people) are in the unorganised sector that gives a wage discount to temporary blue-collar workers (relative to permanent workers). This discount, absent in organised white-collar temporary jobs, may not go away (it may reflect skill differentials) but will sink as Contract Labour Act reform, makes regulatory arbitrage redundant. Finally, unenforceable labour laws amplify opportunities for corruption by looking the other way.

On a recent TV debate, a Left party MP told me that no job was better than a temporary job and I was preaching self-interest to exploit labour. We believe a job is better than no job and the self-interest of 4 per cent of the labour force is not in national interest. Reforming labour laws is a small price to pay to widen the circle of opportunity and deepen the meaning of freedom for the 300 million people who will never ride the car they clean, read the newspaper they deliver, or live in the house they build. The true victims of our labour regime are labour market outsiders — the less skilled, less educated, people from small towns, first-time job seekers, retired people and women.

Policy can help labour market outsiders by creating and facilitating infrastructure for India's four labour market transitions: farm to non-farm, unorganised to organised, rural to urban and school to work. These transitions represent journeys to a new and better life for many Indians. But inclusive labour markets are sabotaged by a regime that positions job preservation as job creation and violates our youth's right to work. Perhaps making labour a state subject will help. Or perhaps, just old fashioned backbone by standing up for right against might (and intellectual dishonesty).

*The author is Chairman, Teamlease Services*

*You gift her chocolates.*
***She is on a diet!***

*You gift him flowers.*
***He is allergic to pollen!***

*You gift the newly-weds a dinner set.*
***It's the fourth one they get!***

*Why choose a gift when you can gift them a choice?*

**Presenting SBI Gift Card**

*SBI Gift Card gives your loved ones the freedom to choose their Gift. It is a Prepaid VISA Card accepted at over 300,000 VISA merchant establishments throughout India.*

**Call 1800-11-22-11 for further information**

**FEATURES***

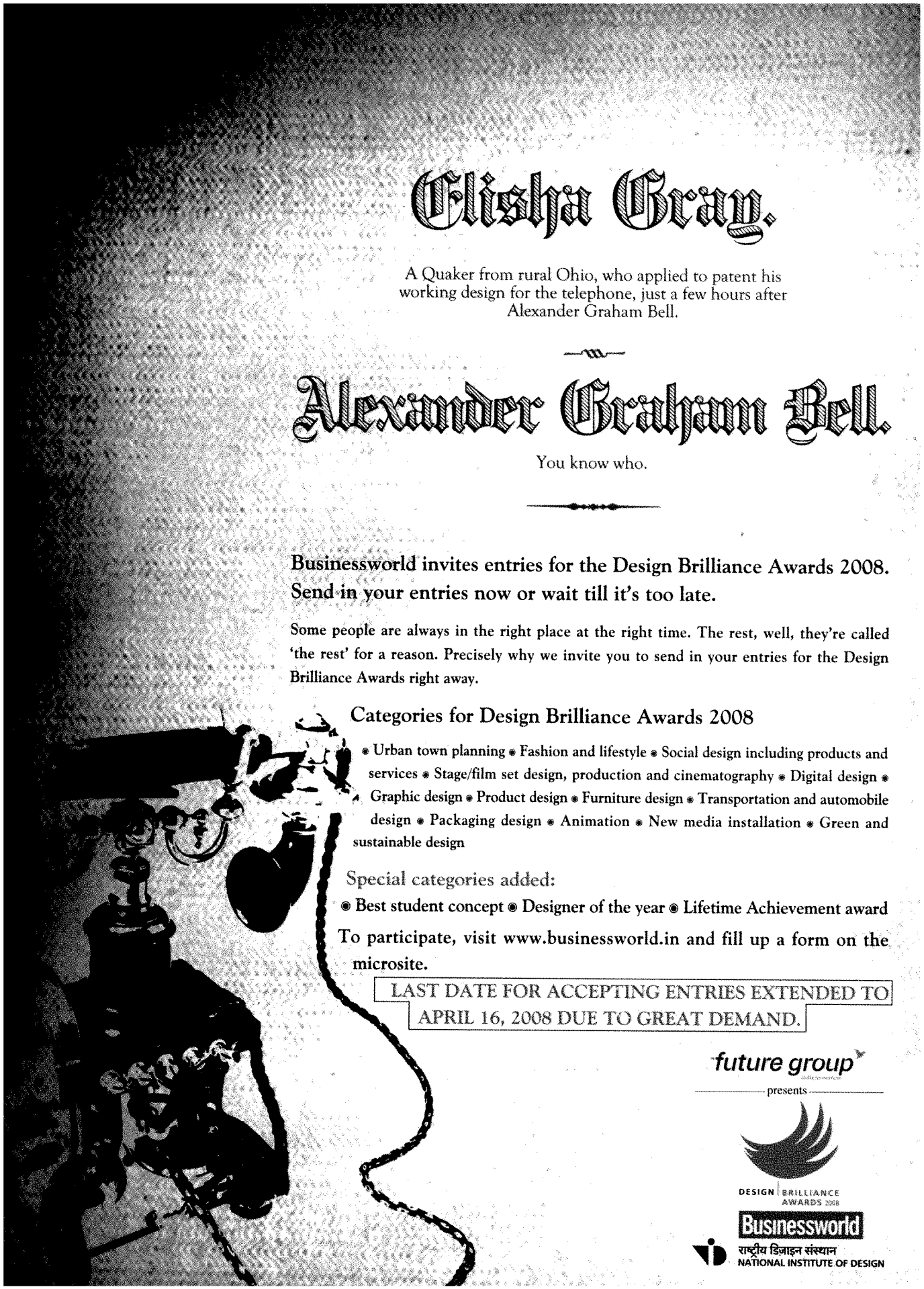
- *Available at over 7500 Core Banking Branches*
- *Balance Enquiry at ATMs and over Internet*
- *Secured by PIN and Signature*
- *Maximum Amount: Rs.20000*
- *Card blocking and replacement facility available in case of loss/ theft*

**State Bank of India**
*With you - all the way*
**Pure Banking. Nothing else.**

* *Conditions apply*

*www.statebankofindia.com*

Adfactors 221



# Elisha Gray.

A Quaker from rural Ohio, who applied to patent his working design for the telephone, just a few hours after Alexander Graham Bell.

# Alexander Graham Bell.

You know who.

## Businessworld invites entries for the Design Brilliance Awards 2008. Send in your entries now or wait till it's too late.

Some people are always in the right place at the right time. The rest, well, they're called 'the rest' for a reason. Precisely why we invite you to send in your entries for the Design Brilliance Awards right away.

### Categories for Design Brilliance Awards 2008

• Urban town planning • Fashion and lifestyle • Social design including products and services • Stage/film set design, production and cinematography • Digital design • Graphic design • Product design • Furniture design • Transportation and automobile design • Packaging design • Animation • New media installation • Green and sustainable design

### Special categories added:

• Best student concept • Designer of the year • Lifetime Achievement award

**To participate, visit www.businessworld.in and fill up a form on the microsite.**

LAST DATE FOR ACCEPTING ENTRIES EXTENDED TO APRIL 16, 2008 DUE TO GREAT DEMAND.

future group

presents

DESIGN | BRILLIANCE AWARDS 2008

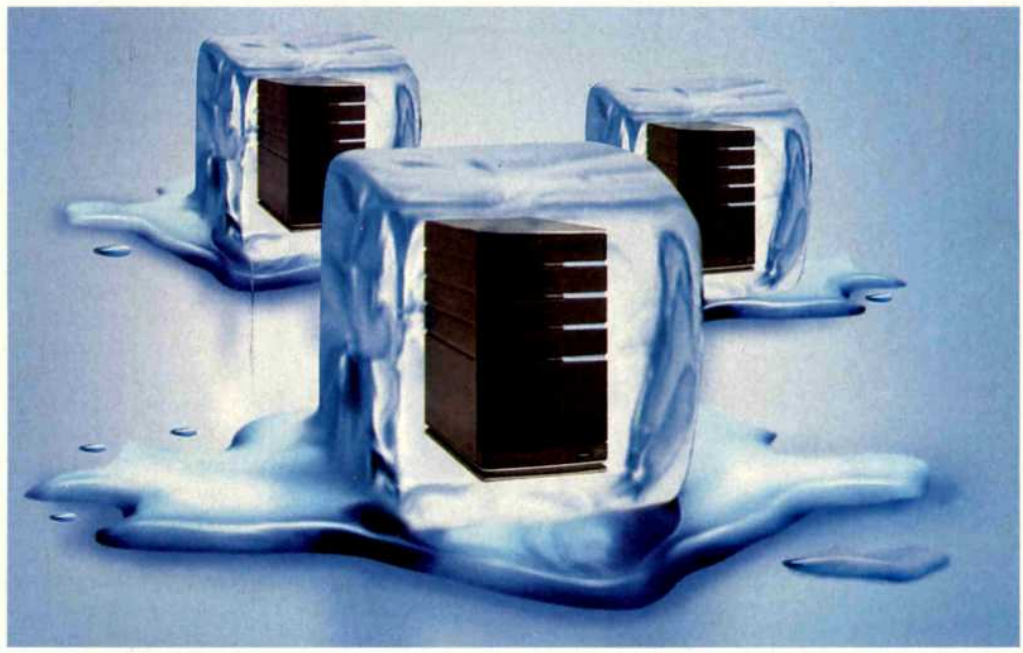
Businessworld

राष्ट्रीय डिज़ाइन संस्थान
NATIONAL INSTITUTE OF DESIGN

TECHNOLOGY

# Green Processing

**Power-saving data centres are gaining popularity across the world**



NOT TOO POWER HUNGRY: Green data centres consume 40-50 per cent less power than their predecessors

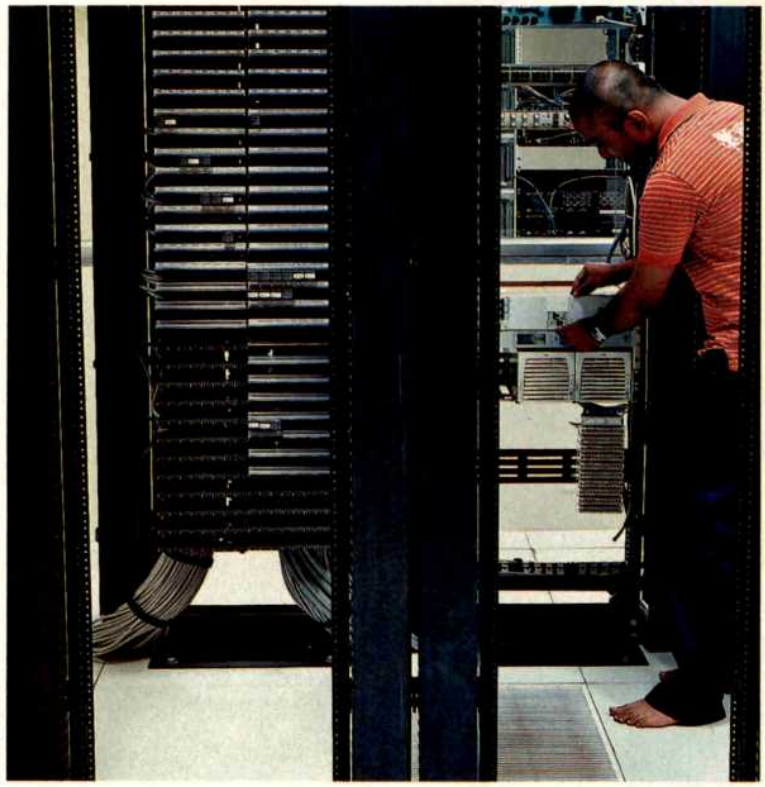
COLD AND ISOLATED, ICELAND MAY BE THE LAST place that comes to your mind when you think of data centres. But this otherwise well-developed island nation has started an international campaign to lure big companies to set up data centres there. The bait: a cold climate, cheap and green power and a stable economy. Iceland has timed its pitch well. PricewaterhouseCoopers recently did a study that cited Iceland as an ideal destination for data centres, much better than the US, the UK or India. Data centres around the world are also going through a serious crisis in terms of their environmental impact.

The problem with data centres is plain and simple: they need too much power. "Data centres are forced to go green for economic reasons," says Subodh Bapat, senior vice-president and distinguished engineer at Sun Microsystems. The industry invented the term green data centres to denote those that do comparatively less damage to the environment.

Not surprisingly, companies, such as Sun and IBM, who provide the computing infrastructure to data centres, are among those that drive the green concept in the industry. Sun has recently built a green data centre in the Silicon Valley, one among the three — the other two being in Bangalore and Blackwater in the UK — initiatives that are supposed to cut its power bill by more than $1 million while increasing the computing power 450 per cent. Nestled inside its sprawling campus in Santa Clara, this data centre is deceptive to casual scrutiny. At around 75,000 sq. ft, it is moderately big. But it uses servers that are super-efficient, designs that can accommodate a large expansion, cooling that focuses on each server rack rather than the whole room, and software that can dynamically allocate computing resources optimally. Conventional data centres of this size would have consumed 45 per cent more power.

At Boulder, Colorado, IBM is building a 300,000 sq. ft green data centre costing $86 million. It is again 45 per cent more efficient than IBM's other data centres. IBM wants to double its computing capacity in three years without increasing its power consumption, and is spending $1 billion every year in a project that it calls Big Green. This money would ultimately go towards avoiding the usage of 5 billion kWh of additional power.

The concept of a green data centre had star-



SUBHABRATA DAS

**COOLING DOWN:** Companies such as Netmagic are set to build green data centres in India

ted circulating two years ago, but it is only now that the movement has acquired urgency. Over the next few years, vendors will launch servers that occupy less space, consume less energy and run faster than current incumbents. Software vendors will produce software that can help run these servers efficiently, using a set of concepts from virtualisation to ultra-efficient workload management. Data centre service providers will design the centres only in places where they can be run with minimum energy.

Consider these figures published by market research firm IDC. In the US alone, data centres consume more than 100 billion kW of power, generating a combined bill of $7.2 billion a year. The power consumed by data centres is doubling every five years. Some of the largest data centres currently being built would consume 30-40 MW of power. Data centres in the US now consume 1.5 per cent of the total power — as much as all the homes put together — produced there, and this share will go up to 4 per cent in four years. Moreover, a huge electricity bill is not the only fallout of all this. Many utility companies refuse to provide them with more power because they have reached a limit.

One of the most important parts of a green data centre is the servers themselves. The new servers being launched are ultra-energy efficient. Sun's Ultrasparc, IBM's BladeCenter, Dell's PowerEdge consume 20-30 per cent less power than their predecessors. In fact, the benchmark of server processors is rapidly shifting from speed per second to speed per watt. Meanwhile, multi-core processors are increasing capacity without increasing space. Servers are now equipped with processors up to eight cores.

Companies like to reserve excess computing capacity as a back-up for peak demands that occur occasionally. Such peaks occur in every industry: a scare in the stockmarket, annual results announcements, natural disasters, elections... In fact, many companies regularly use only 80 per cent of their computing resources on a normal day. Keeping too much computing resources in reserve is not energy efficient. "Servers are most energy efficient when they are utilised 100 per cent," says Stuart McIrvine, director of market management at IBM. "They consume less energy if they are not used, but the reduction is not proportionate." Yet, if you do not keep reserves, your computing infrastructure could collapse when the spikes hit you.

Green data centres now attack this problem using software and concepts such as virtualisation. Good network management software can manage computing loads now very efficiently. Virtualisation lets companies run one piece of hardware like many, thereby reducing physical space as well as energy consumed. It is an old concept, but data centres have started using it like never before. VMWare, a California-based company, runs a $1-billion business largely based on this concept. This problem gives opportunities to start-ups as well. For example, Evergrid, a 2006 start-up based in Santa Clara, California, develops software that can 'throttle down' non-critical applications when the spikes hit the data centres, which is another way of not keeping idle servers waiting for the Big Day.

Data servers in India have not reached a critical stage like in the US, but many of these technologies are going to be used in India as well. The country is likely to see a spurt in new data centres over the next few years. "Multinational customers insist on the state-of-the-art technologies wherever they are," says Sandeep Gupta, president of Netmagic, a data centre company with many data centres in India. However, the data centre business is increasingly being played on a global basis. Iceland, for example, lacks the communication infrastructure for huge data centres. It is building a submarine cable to mainland Europe to fill this lacuna. What would India need to build?

*P. Hari in San Francisco*
*p.hari@abp.in*

## SCIENCE BUZZ The fortnightly update on innovations and tech policies

### Less Emissions, More Water

BLOOMBERG

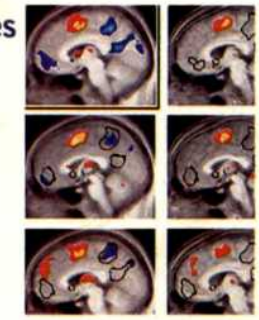
Historically, environmental solutions have usually led to other problems. Hybrid vehicles, now proliferating on US and European roads, are thought to be a good temporary answer to increasing greenhouse gas emissions. However, a study by scientists at the University of Texas found that these cars would indirectly increase the stress on water resources. This is because production of electricity requires cooling with water. By 2020, hybrid cars would increase the need for water by 3 per cent. This is a large amount, when you consider that global warming is expected to decrease the availability of water.

### Dangerous Chemical

The US Center for Disease Control has found what could boomerang into a major controversy, particularly in the West. It tested more than 2,000 individuals for a compound called Bisphenol A (BPA) and found that nearly everybody had traces of it in their bodies. Since BPA is eliminated quickly from the body, it means that it is ingested continuously. This chemical is found in many plastics vessels, and can leach into foods and drinks at high temperatures. Recent studies have suggested people have at least 10 times the permissible levels of BPA in their bodies, which could be harmful to pregnant women and infants.

### Knowing Your Thoughts

Scientists at the University of California in Berkeley have found a way to decode people's thoughts. Volunteers scanned 120 images, and their brains were scanned at the same time. A computer program identified what they were looking at 90 per cent of the time. This method immediately gives rise to the prospect of analysing visual thoughts, such as dreams or imagery. They could use it to see whether someone is paying attention to something. But right now, the method does not work for thoughts that are not sensory, like abstract thoughts and reasoning.



BLOOMBERG

## HOW THINGS WILL WORK

# When Cars Learn To Drive

PRIZED POSSESSION Junior, a driverless car developed by Stanford University, drove through 55 miles of city traffic

HUMAN BEINGS — OF BOTH SEXES — are lousy drivers, prone to making fatal errors. How wonderful if the human driver is replaced by a robot. This happens in science fiction, but is now set to happen in real life.

Take cruise control, now regularly employed in cars on the western highways. A car maintains its speed for long periods, till you touch the brakes. However, you need to change speed depending on the vehicles around you. So, car manufacturers have developed adaptive cruise control, where the car changes speed depending on the distance — calculated using radar — to the car ahead of you.

Over the next few years, we will increasingly see such technologies being adopted. Some models of Lexus and Toyota can park themselves. There are cars that warn sleepy drivers if they leave their lanes. In the future, cars could park gently if the driver falls asleep.

The technology of these vehicles is not very complicated. The main components, sensors that provide inputs such as speed and distance to the robot, are already available. But software needs to be developed to make them work together. Some US universities have made prototypes of driverless cars. In a challenge thrown by US Defense Advanced Research Projects Agency, driverless cars drove 55 miles through city traffic in Victroville, California. Boss, developed by University of Pittsburgh, won the $2-million first prize.

But what happens if there is an accident? Well, although experts say the cars will be ready in 10 years, their entry on roads would depend on when regulations will be ready. And that is the trickier part.

NEUROSCIENCE

# Cultural Play

**Research has shown that culture moulds people's thinking abilities**

EAST AND WEST ARE different, but the twain shall meet. Modern psychologists have been saying that culture sculpts the brain, making people from different cultures think differently about the same problem. This might make some problems easier to certain cultures, a finding that is of enormous significance to managers of global teams. Now, neuroscience offers the first evidence to support this theory, while also hinting that this difference is not cast in stone.

John Gabrieli, director of the McGovern Institute of Brain Research at MIT, and his colleagues asked some East Asians and European Americans to solve two sets of problems. The problems were simple, and so, there was no difference in the outcome. The first one required absolute judgements, and the second required relative judgements. Specifically, they were asked to judge the length of lines in a series of boxes. In the absolute test, they had to judge whether one line was shorter or longer than the other. In the relative test, they were asked to judge the similarity between one box and the line inside it when compared to another such set.

On doing the functional MRI scans of their brains, the scientists discovered that brains of people from the West and the East lighted up in the same way, but while attempting different problems. For example, the scans showed similar patterns when the European Americans attempted the relative tasks, and the East Asians attempted the absolute tasks, and vice versa. "This is neurological evidence for what psychologists have been telling us," says Gabrieli. It essentially says one thing: the relative task is hard for European Americans, and the absolute task is hard for East Asians.

Psychologists have been discovering similar things recently. For example, when asked to look at a picture of fish with a background, European Americans tended to focus on the fish, and East Asians on the background. In a famous experiment at the San Francisco Airport, people from both cultures were asked to pick one pencil from a set of six. One of those pencils was of a different colour. European Americans almost always picked the one that was of a different colour, and East Asians almost always picked one from those of the same colour.

European American culture stresses individualism, and Eastern culture stresses being part of a community. This cultural training seems to translate into the ability to do absolute and relative tasks. But these differences disappear when Asians live in the West for some time. "This work is very interesting," says Sumantra Chatterjee, neuroscientist at the National Centre for Biological Sciences in Bangalore. "The tasks were pretty simple, which was my only reservation." Does this mean that different cultures are better at different topics, such as mathematics? "We might guess that some cultures would be good at some branches of mathematics while other cultures at other branches," says Gabrieli. "But we do not know clearly yet."

These are early days for this topic. There are many different cultures in the world, and people from most of them — including Indians — have not been studied for how they think. Yet there is tantalising evidence that culture shapes the brain. Would this knowledge be useful in a global corporation?

*P. Hari in San Francisco*

ILLUSTRATION: KISHORE DAS

**THINK DIFFERENTLY:** The finding could be of great significance to managers of global teams

# Everyone will be a neighbour
## to the all new CK27 satellite clubs

Spice

Moksh

Pulse

Indoor Games

Mr. Y. Rajeev Reddy
CMD, Country Club (India) Ltd.

Introducing a new concept in Clubbing. CK 27, a satellite club concept. Now you don't have to go far for a club. We just brought it closer to you. CK 27 has everything under one roof. Workout at Moksh, the well equipped Gym and Health Spa, Dance to the tune of our DJ at Pulse, the lounge bar, savour your favourite cuisines at Spice, the restaurant, or just play an indoor game with your family.

Moreover, we plan to open up more clubs near you. So that no one is far from a CK 27. Hurry!! Membership is filling up fast!

CK-27

SATELLITE CLUBBING
concept by

The Country Club

Catalyst

SMS COOL to 55050 or SMS COOL <your email-id> to 55050 to get an e-brochure

For membership details, call: Agra - 093191 11110, Ahmedabad - 079-4007 6667, Bangalore - 080-4037 4599, Calicut - 098474 92429, Chennai - 044-4231 6655, Delhi - 011-4601 0094, Hyderabad - 040-4025 1515, Indore - 099815 15471, Jaipur - 0141-4091234 / 099294 66666, Kanpur - 099360 34411, Kerala - 094470 45391, Kolkata - 033-4008 4675, Lucknow - 099364 95888, Mangalore - 098800 03556, Mumbai - 022-4016 5555, Mysore - 093421 03335, Nagpur - 099700 31888 / 099238 00055, Pune - 020-4002 4488, Surat - 092277 77413, 093286 68815, Vadodara - 093777 04685

Email-ID: customercare@countryclubmail.com, Website: www.countryclubindia.net

Convert your membership into easy installments with our associates

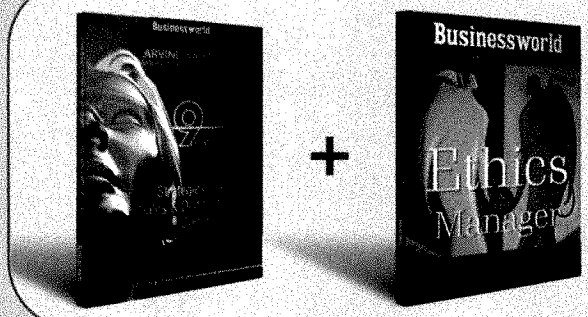
ICICI Bank Credit Card Holders 0% EMI Scheme | ABN·AMRO | Standard Chartered Credit Card Holders 0% EMI Scheme | HDFC BANK Credit Card Holders 0% EMI Scheme | CV Country Vacations | RCI.

*Why go anywhere else*

36 own clubs | 170 affiliate clubs
158 franchisees | 4000 RCI affiliated resorts

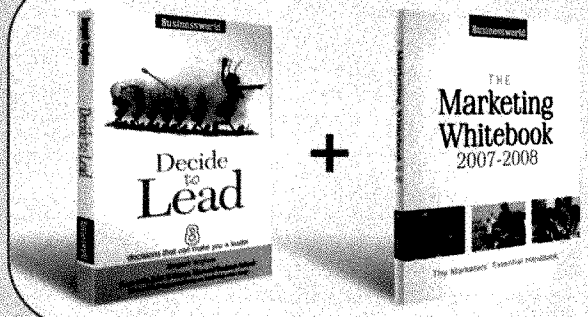
PRESENTING

# NEW YEAR GIFTS THAT MAKE A LOT OF BUSINESS SENSE.




**Case Studies in Pricing, Sales & Distribution and Communication, by Prof. Arvind Sahay Rs. 250/-**
**&**
**Ethics & The Manager Rs. 199/-**

**SPECIAL COMBO PRICE RS. 299/-**




**Marketing White Book Rs. 400/-**
**&**
**Decide to Lead Rs. 399/-**

**SPECIAL COMBO PRICE RS. 499/-**

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order, fill this form & mail it to us:**

Name: Mr/Ms. _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

**In case you wish to gift the books, please fill in the following information:**

Name of the recipient _____ Phone no. of the recipient: _____

Address of the recipient: _____

Please tick the desired option: ☐ Case Studies in Pricing, Sales & Distribution and Communication & Ethics & The Manager Rs. 299/- ☐ Marketing White Book & Decide to Lead Rs. 499

Cheque No./DD No. **(In favour of ABP Pvt. Ltd.)**: _____ Dated: _____ for Rs. _____ or charge the total amour

of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐

Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Mar New Delhi- 110002, Ph: 011-23702170.

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-2496 2601-09; Kolkata: Sandip Biswas, Tel: 033-22 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 714 Email id: businessworldsubscriptions@abpmail.com.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your order. Any request for cancellation c the order will not be entertained once the books have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forum in Delhi/New Delhi only. Offer valid for direct mail order. Offer valid for limited period or till stocks last. Terms & conditions apply.

THEATRE

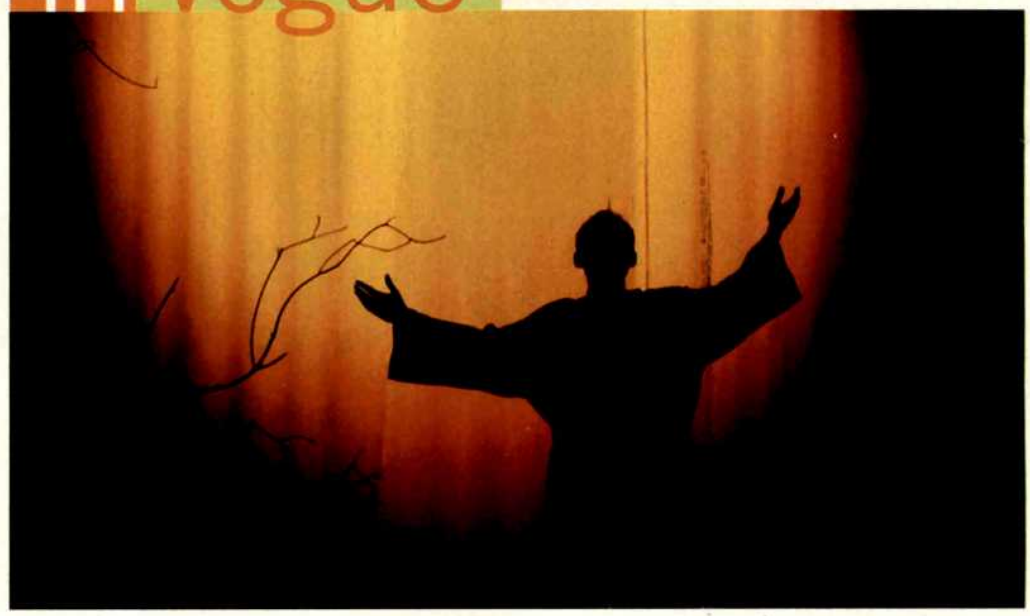
# Saving theatre

**Awards are useful, but the theatre needs more meaningful corporate support to flourish**

IT WAS QUITE A CHANGE OF SCENE FOR INDIAN theatre at the third Mahindra Excellence in Theatre Awards (META) in Delhi last week. Money and glamour played gracious hosts to art and culture. Appreciation and rewards flowed freely for theatre artists from all nooks and corners of India who would otherwise have continued without acknowledgement, except from their friends and fraternity. But is awarding a few lakhs to a few winners enough to make theatre viable or, for that matter, even sustain it?

Actor Manoj Bajpai, who spent a week in Delhi watching each of the 10 productions shortlisted for the META awards, believes that it will take a lot more than just giving out awards to give theatre its due. "Promote theatre shows like you would promote a music concert or a Bollywood show," he said after watching the staging of Karnnabharam (The Anguish of Karna), in a near empty theatre.

LIVE IS BEAUTIFUL: *The Karnnabharam* performance at META 2008



**TOUGH ASK:** Box office success demands investment in hi-tech stages

This production by Kochi's Lokadharmi group won the Best Play award of Rs 1 lakh.

Chandradasan, director of the winning play, also believes that a week of 'best of' shows and an evening of awards are not going to dramatically change the fortunes of theatre. "Box office alone can sustain theatre," he says. "And for that, the companies should build good theatres and charge affordable rents."

Because of high rents a play is staged only for 2-3 days at one go. That narrow opportunity prevents most potential viewers from watching the play. "If we could run a play for two weeks, we could sell more tickets and invest more in sets," says Chandradasan.

Still, both the judges and the participants of META feel grateful to auto major Mahindra & Mahindra and Ravi Dubey, the creative director of META, for doing more for theatre in India than any other corporate patron. Mahesh Dattani, playwright and a judge at META 2008, says that META has the potential to become India's Tony — the theatre equivalent of the Oscar awards in the US. "META cannot solve Indian theatre's funding problem, but it can bring prestige to theatre work," he says.

Dattani believes that META will not be just another short-lived corporate patronage of theatre in India. "Many companies have sponsored theatre in the past without a sense of long-term benefits for corporate branding and such patronage has fallen victim to internal politics of the companies," he says. He believes META will be different because it is an autonomous body under somebody who is not a wannabe but an established name in both theatre and the corporate world," he says.

**MASTER OF PUPPETS:** Theatre needs sustained support, not tactical sponsorships

META's Dubey, himself a theatre person and a former general manager with India Hotels, works closely with M&M vice-chairman Anand Mahindra.

"While META is offering an opportunity to show talent and be rewarded, ultimately we plan to set up a theatre academy with modern theatres with revolving stages, sophisticated lighting, and spaces for rehearsal and even carpentry," says Dubey.

He rues that Indians pay $150 to watch a show at West End in London or at Broadway in New York, but will not buy a Rs 500 ticket for a play in India.

META will, hopefully, help bring people to the theatre. Not even watching a great film equals the privilege of witnessing a great live performance.

*Feroz Ahmed*

## R P GROUP OF COMPANIES

# A BIG LEAP FORWARD TOWARDS GROWTH

*Kaustuv Roy, chairman, R.P. Group of Companies*

**With a big promise to grow as one of the three leading hardware providers, RP Group of Companies stands tall on the portal of hardware development and has developed a well-known national computer brand like Chirag**

There are many reasons why Chirag brand of computers from the house of R.P. Infosystems Private Limited, headquartered in Kolkata rides high on the popularity chart all across India. Significant factors like competitive pricing, assurance of high quality, well-equipped manufacturing facilities, highly experienced team of professionals and a strong network of retail chain all over the eastern region have contributed in a big way in making the brand a household name in the east.

A recent survey reports that the brand today commands around 6 per cent market share among the other Indian computer brands and holds a 2.2 per cent market share in the category of premium computer brands. A subsidiary of R.P. Group of Companies, the infotech major is into manufacture of desktops, laptops, LAN and retailing of computer peripherals. It occupies a market share of 1.3 per cent in desktop space and is well on its way to enter the Indian rural market. Informs Kaustuv Roy, chairman, R.P. Group of Companies who has been the key driver of the company's overall national growth, "The prices of our branded personal computers are at par with those of assembled ones in the market that makes us free from any kind of competition from other major computer brands. Our branded computers have a large number of takers in tier-II and tier-III cities of India like Chandigarh, Satna, Kolhapur and Barabanki. As of now, the emphasis is to target the Tier-II cities, corporate world and the rural market and reach out to a more diverse group of potential buyers." The infotech player has drawn up grand plans to roll-out a hardware component manufacturing plant at Baruipur in South 24 Parganas. With a proposed investment of Rs. 1,000 crore, the plant will come up in phases and will provide facilities for making motherboards, keyboards, LCDs, CRT monitors and chassis. Nearly 30 acres of land has been acquired for the project and acquisition of another 70 acres is in the pipeline.

Besides the infotech sector, R.P. Group has a wide spectrum of activities including agro-based food production, ceramics, sports and media. One of its subsidiaries, R.P. Food and Agro Chem Private Limited is looking ahead to unveil a white button mushroom production facility in a controlled set-up at Mallikhati in South 24 Parganas. Aimed at an annual installed capacity of 360 million tonne, the project will take off on 7 acres of area by April this year. But what prompted the group to go for mushroom cultivation in a lesser-known place? Explains Kaustuv Roy, "The district of South 24 Parganas has become the most upcoming industrial hub of Bengal. Our mushroom cultivation project is 15 km away from Bantala Leather Complex and cheap raw materials are available here, that are some of the special advantages for our project."

The group is now on an expansion mode and is planning to set up operations all over the country. There are plans to open offices in Nagpur, Pune, Ahmedabad and Kolhapur in western India besides Chennai, Hyderabad and Cochin this year. The group owns 65 retail outlets all over the country and has a formidable presence in cities like Mumbai and Bangalore. In an effort to cater to the markets of north India, the organisation has recently extended its presence in New Delhi, Noida, Lucknow, Jaipur and Chandigarh. Adds Roy, "Our expansion plans include opening 21 more offices and 210 retail outlets in the country." The organisation has witnessed a well-deserved growth with an annual turn-over of Rs. 187.28 crore last year. With three manufacturing units, the company is eyeing to establish two more at Silvassa and Pondicherry in the near future.

## Entertainment

### COLLECTING MOVIES

FINALLY, THERE IS RELIEF for the Hobbit heads and serious movie collectors. They no longer need to stuff their bags with voluminous 12-DVD collections of The *Lord of The Rings* (LOTR) trilogy while holidaying abroad. Nearly four years after the LOTR anthology with appendices was released in the US, it has now become available in India.

For those not familiar with the legendary trilogy, LOTR movies are based on three books by J.R.R. Tolkien, a professor of English literature and language at the Oxford University. LOTR turned out to be the most read literature in the world in the 20th century after the Bible.

From a movie collector's perspective, LOTR is a rare Hollywood trilogy that was conceived as a series and not merely stretched after the success of the first movie, as has been the case with Spiderman and Ocean's Eleven. The other genuine trilogies include the *Matrix* and the original *Star Wars* series.

Talking of collectible anthologies, there are a few gems that you may still need to travel to buy or order online for as they are hard to find in India. One is the *Bogart Collection* that includes the brooding star's biggest hits *Casablanca, The Maltese Falcon* and *To Have and Have Not.* Another collectible is the celebrated film noir director Ingmar Bergman's Four Masterworks including *Smiles of a Summer Night* and *The Virgin Spring.*

Hopefully, the Hollywood movie distributors will acknowledge India's emergence as a growing market for classic home videos and make the collectible anthologies available here early.

FOOD

## Log on for a bite

**FEEDER NETWORK:** Ordering food and booking tables online is a blessing for the busy

AT A TIME WHEN Bangaloreans are reeling under traffic woes and when even the shortest distances become obstacle courses, online reservations at restaurants and ordering food is a blessing in this 24x7 software hub.

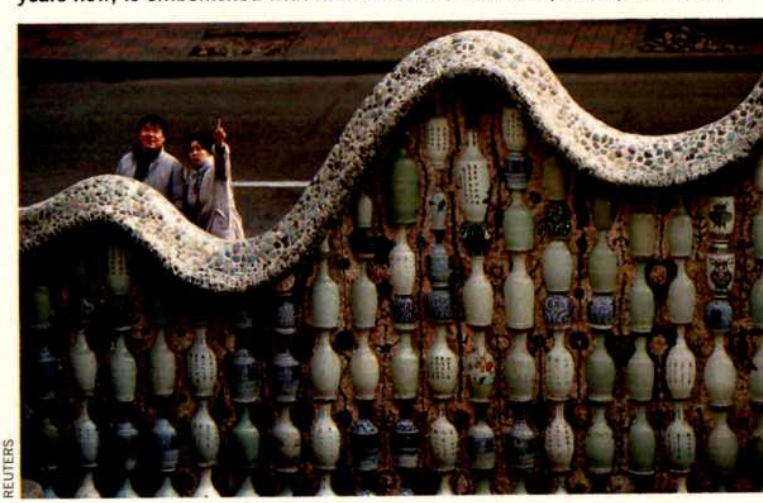
Priyanka, a software professional, found a business opportunity in her personal struggle to find good eating places in the city and started hungryzone.com in 2006 with a colleague. The site allows you to place orders and make reservation online at participating restaurants for free. After initial use only by youngsters, her website now has the affluent and the corporates using the service. The site now has 250 registered restaurants, including the fancied Barbecue Nation and Umerkot.

For special occasions, the site offers targeted restaurant information and bookings. Last Christmas, the site tied up with confectionaries such as Naked Desserts and for Valentine's Day, it listed the candlelight dinners and special packages at restaurants in Bangalore. Its network will expand to 700 restaurants soon.

Having tasted success in Bangalore, the service is set for rollout in 10 other cities.

*Dhanya Krishnakumar*

**Ace of vase:** The China House in Tianjin, under construction for six years now, is embellished with millions of ancient vases, bowls, and dishes



REUTERS

TRAVEL

# Vanity Fare

THE SAIL-SHAPED BURJ Al Arab is the most recognisable hotel in the world and offers the uncanny combination of breathtaking views and appaling décor. All the Burj's duplex suites offer oceanic views. But the rooms themselves combine every bad cliché of Arabian style and display them proudly — from golden pedestals to velvet sofas, purple brocade, and gilded mirrors over the bed. Despite all this richness, the Burj boasts no real artworks and has no sense of style. Still, this is one of the most expensive hotels in the world and the first ever 7-star. If renting its rooms gives you a kick, then at least know that your discerning side can feast on the Burj's design, which was conceived by Tom Wright. The hotel's curved aquatic form and sea-front location give guests the feeling of being at sea. You can take that figuratively as well, for the Burj has an uncertain air. Its menus are rich but uninspiring, and its staff, while obsequious in the Asian manner, lack the subtle discretion great hotels teach their staff.

What the Burj does offer is self-conscious exclusiveness. The hotel is offlimits to anyone not staying or dining there. If someone without a reservation comes by, the hotel shoos them away. Unless the person arrives in a luxury car. "If the car generally costs above $50,000, we let them in," a manager said.

**AT SEA:** Stunning views and a garish décor characterise the Burj Al Arab

JEHANGIR PUNTA

BON VIVANT

# Summer wine

SUMMER IS BACK. IT IS TIME FOR LIGHTNESS IN ALL things, including wines.

Summer is a tough time for wine drinkers. The tannin-rich Chardonnays, with alcoholic strength in the teens, feel heavy and warm when body and mind struggle to cope with 45-degree heat. Mildly alcoholic chilled beer or even lemonade seem heavenly. But they are too plain to please a seeker of complex bouguets. Fortunately, for the wine worshippers, there are lots of white, 'green' and pink wines with 10-12 per cent alcohol that can be had reasonably chilled without compromising on aroma or flavours.

Reisling is a good summer varietal — it is dry and citric and goes well with delicately flavoured grilled vegetables, fish and meat. *Sauvignon blanc* wines also taste good, being citric and with a tinge of tartness. Apple-flavoured and dry Muscadet is another useful thirst quencher.

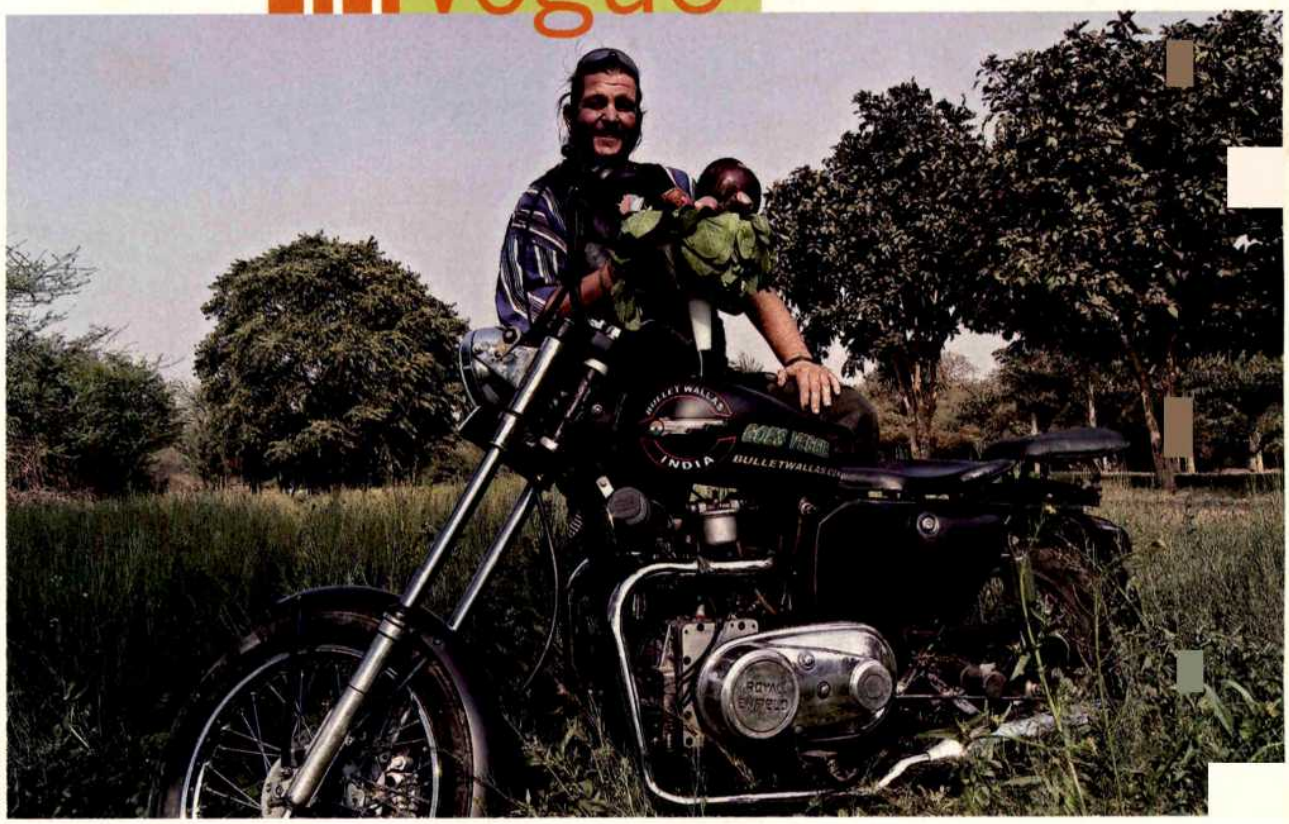
Spanish and Portuguese white wines made with the Alberino grapes, also known as the 'green wines', are catching on fast as the young, refreshing summer wines.

Pink wines make a good aperitif during summer as they are light, fruity, and go with almost any kind of food.

Still, for those who cannot live without the reds, Beaujolais, Merlot, *Pinot Noir* are good options.

So, if you do not like Homer Simpson's fav brew — beer — beat the heat with your favourite summer wine.

PHOTOGRAPHS: AMIT VERMA




AMIT VERMA

ENVIRONMENT

# Bike for blue skies

**The veggie Bullet is the perfect redemption for environment conscious bikers**

FEELING APOLOGETIC ABOUT ALL THOSE polluted miles and want to make amends? Well, for one, you could call on Delhi-based John Holdson a.k.a. Balu Bulletwalla for a veggie bike. His modified Bullet motorcycle runs on carbon-neutral vegetable oil.

This veggie Bullet can use both fresh and used vegetable oil. In fact, Balu gets some of his from the Spirit restaurant in nearby Connaught Place, whose owner, he says, is just as concerned about pollution as he is.

Chris, a New Zealander, who also owns a veggie Bullet, quips, "I'm partial to olive oil because I can dip a bread stick into the tank for a quick snack."

But getting a bike to run on veggie oil wasn't easy. First, the Bullet engine had to be replaced with an imported special-purpose engine. The fuel system of the bike needed a special filtration system to remove impurities in the oil. Importantly, using veggie oil as fuel does not reduce the bike's performance.

But is a veggie bike for everyone? It takes about six weeks for a veggie bike to go from order to delivery. Moreover, fresh veggie oil isn't exactly cheap, and collecting used oil from restaurants demands a great degree of humility and commitment.

The inspiration for the veggie bike came from the Delhi government's attempts to clean up the city's air by using CNG fuel for all public transport. "When I first came to Delhi, the sky was grey," he recalls. "Today, blue skies are quite common."

Balu, called so for his bear hugs, has been modifying Bullet motorcycles ever since he landed in India eight years ago. He has set up the Bulletwallas Club to help Bullet aficionados from India and overseas.

While the veggie bike consumes much of Balu's attention right now, another environment-friendly bike, which uses a conventional fuel — diesel — is on the design board.

Hopefully, such bikes will help make blue skies in Delhi a routine rather than exception.

*Pierre Mario Fitter*

**SHIFTING GEARS:** Balu Bulletwalla's modified Bullet runs on vegetable oil

ResponseIndia.Com

sananda
সানন্দা
the world within her

# naba barsha

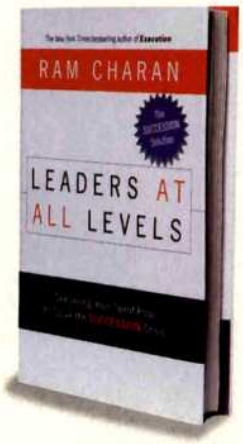
The Bengali New Year or *Naba Barsha* is just round the corner. The *Sananda* woman is gearing up to splurge guilt-free... to celebrate the festive spirit by shopping for herself and her loved ones.

But she's waiting. Waiting for the *Sananda Naba Barsha* special...to search for her best fit from the world of fashion, trends and lifestyle. But you can't wait. Book your way into this special number, today.

And see her riches convert to your revenue.

**For business information contact:**

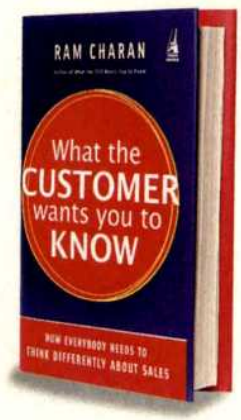
**Bangalore** Atithi Samanta 9845047944 **Chennai** Anantha Krishan 9840970776 **Delhi** Anirban Bagchi 9811040043 **Kolkata & Rest of East** Abhiroop Ghoshdastidar 9748004498 **Mumbai** Bipasha Roy 9821602929




# Loyalty — Within And Without

by K. Yatish Rajawat

**LEADERS AT ALL LEVELS DEEPENING YOUR TALENT POOL TO SOLVE SUCCESSION CRISIS BY RAM CHARAN JOSSEY-BASS/WILEY, PAGES: 172; PRICE: $27.95**




**WHAT THE CUSTOMER WANTS YOU TO KNOW HOW EVERYBODY NEEDS TO THINK DIFFERENTLY ABOUT SALES BY RAM CHARAN PENGUIN/PORTFOLIO, PAGES: 178; PRICE: Rs295**

MOST CONSULTANTS WRITE MANAGEMENT BOOKS in order to reach a wider audience for their respective consulting practices. This is why their books tend to be teasers. These books largely comprise several examples and case studies of companies, describing in detail their success (and, at times, even failures) and the individuals or processes that helped achieve it. But what majority of these books singularly fail to do, is teach managers how to make their own companies successful. The reason they don't tell all is because the consultants writing the books on management don't want to let you have the information for free. They would, instead, prefer to be hired at fancy per-hour fees and then tell you how to do it.

Noted management guru, Ram Charan's books are markedly different from the numerous management books being churned out these days. His books do not propose any great or grand management theories. In a conversation with this reviewer, he once remarked, "I don't have any grand theories, my approach is more observational and I tend to correct what is wrong. I don't make a theory and then look for examples to justify its applicability."

He is one of the few, or maybe the only consultant, who writes 'how to do' books for managers. In his two recent books, *What the Customer Wants You to Know* and *Leaders at All Levels*, Charan talks about managing sales and grooming leadership in companies, respectively. One of the main reasons that Charan is willing to give away all that he has learnt in more than 30 years of consulting is because he has enough clients. As a consultant, Charan works alone and his approach is one of a coach or mentor to the board or the CEO of a company. He has written more than 14 books in the past seven years, a number of which have been co-authored with CEOs he has worked with.

While both books are slim, less than 200 pages, they cannot be read in one single sitting, in the way that one generally reads a book on management. That is because despite the simple language, the books do put forth complex thought. For instance in *Leaders at All Levels*, the author has engaged with the way in which a company can identify and groom its future leadership team at all levels. In the book he explains in detail an apprentice model which companies can put in place to ensure that succession is never an issue.

One of the myths that his book tries to shoot down is the projection of the leaders as supermen. This is in sharp contrast to most management books which usually glorify the CEO or the leader as the ultimate or perfect human being. In *Leaders...*, Charan writes, "You have to be clear that although leaders are different from other people, they are not superior human beings. Businesses need to change their thinking about leadership as the pinnacle of success for everyone and stop doling out leadership jobs as rewards to people who perform very well but simply are not leaders." Insights such as these can help any company's board avoid hiring celebrity CEOs, a problem that most companies end up creating for themselves most of the times.

Charan has a similar approach in all his books. He begins by questioning the traditional wisdom about a particular problem or process. Most books on selling or improving sales tell you the technique or the attitude to adopt while

**RAM CHARAN**, is a world-renowned advisor to business leaders and corporate boards, a bestselling author, and an award-winning teacher. For more than 35 years, he has worked behind the scenes at Fortune 100 companies such as GE, Bank of America and Home Depot to help senior executives develop and implement strategic plans. He is the author or co-author of 14 books, including *What the CEO Wants You to Know.*

**BROWSING**
Anurag Jain
CEO Perot Systems, India

**I've just finished reading The One Minute Manager by KENNETH BLANCHARD and SPENCER JOHNSON. It provides insight into managerial problems and offers practical solutions to them. Apart from books on management and organisational training, I also read various journals and magazines on a range of subjects from politics to technology.**

engaging your customer — never take no for an answer, keep badgering the customer till he buys, are just some of the approaches recommended by these books.

In *What the Customer Wants You to Know*, Charan breaks two commonly held beliefs. First, sales is no longer the exclusive domain of the sales department and every part of the organisation needs to be involved in it. Second, it is not enough to have the best technology or the cheapest product to be successful in selling it. He writes that the most important thing is to know how can the customer use your product and improve his own sales. He calls it the value creating selling, and he illustrates in detail the way in which a company can structure everything from sales commission to training in order to incorporate this model into its selling process.

While addressing the sales problem, Charan is talking primarily about companies which are selling to other business and not to retail consumers. This is one of the biggest limitations of the book. The other drawback is the poor quality of graphics used to explain the various processes. That apart, these two are must have books for any manager.

**SELECTION 1**

## Numbed By News

**NEWS AS ENTERTAINMENT THE RISE OF GLOBAL INFOTAINMENT**
**BY DAYA KISHAN THUSSU**
**SAGE, PAGES:214 PRICE: £65**

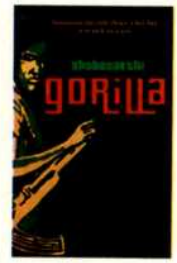
INDIA, AT THE MOMENT, IS WITNESSING A PROLIFeration of 24/7 news channels in English, Hindi and other regional languages. And an enthralled audience sits glued to their television screens as anchor after anchor repeats the 'breaking news' about a celebrity couple's divorce (or impending marriage). In the light of these facts, Daya Kishan Thussu's assertion that the news culture of Indian television channels has effectively become "Bollywoodised", is particularly relevant.

In NEWS AS ENTERTAINMENT — THE RISE OF GLOBAL INFOTAINMENT, Thussu looks at the rise of infotainment (the merging of information and entertainment) in television newsrooms across the globe. Talking specifically of India, Thussu says, "The three Cs - cinema, crime and cricket - encapsulate most of the content on Indian television news programmes. The three Cs are indicative of a television news culture that is increasingly becoming hostage to infotainment."

A former journalist himself, Thussu is a passionate advocate for responsible journalism and news that contributes towards creating an informed citizenry — both of which he feels are compromised by the relentless rise of infotainment. He argues that infotainment or 'soft news' is an important ideological tool which is deployed by those in power to divert attention away from the hard realities of neo-imperialism. The book is a must read for those who applaud the growth of Indian media with uncritical admiration.

*—Sumati Nagrath*

**SELECTION 2**




## A Soldier Writes Back

THE ETHNIC CONFLICT IN SRI Lanka is by now a familiar one. Or so we think. In GORILLA — SOMETIMES THE ONLY CHOICE A BOY HAS IS TO PICK UP A GUN (Random House India), Shobasakthi (born Anthony Thasan), draws on his experiences as a child soldier of the Liberation Tigers of Tamil Eelam to tell the story of Rocky Raj —the son of a local thug who runs away to join The Movement, gets thrown out for not following orders, gets recaptured and tortured and finally escapes from the country.

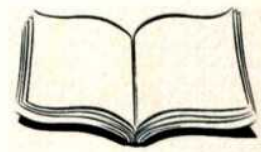
Written originally in Tamil, this novella is humorous and irreverent, even as it tells the tale of horrific violence and betrayal. Take, for example, the father's response to his son, Rocky Raj's request for Rs 45 to pay for his school exam: "If you bother me once again for money, I'll send you to China as child labour; you'll be wiping tables there."

In her foreword to the book, the translator Anushiya Sivanarayanan says of the author, "Shobasakthi refuses to engage in the kind of intrusive interrogation of personal data that those from the sub-continent usually engage in." A trait visible in his relegation of characters' biographical details, including how they were killed or died, to footnotes.

For those who have only visited Sri Lanka in the works of its diasporic writers, such as Michael Ondaatje and Romesh Gunasekera, *Gorilla* takes you on a visceral journey through the war torn island and its people.

*—SN*

**ALERT**



**OUT OF POVERTY: WHAT WORKS WHEN TRADITIONAL APPROACHES FAIL**
**BY PAUL POLAK**
**BERRETT-KOEHLER**
**In this down to earth, straightforward and rather practical book, Paul Polak, the founder of International Development Enterprises, tells us why traditional poverty eradication programmes have fallen short. He argues that top down methods of poverty eradication such as charity, national economic growth and a successful private sector will not end poverty. Instead, he suggests, a more grassroots approach that focuses on the entrepreneurial ability of the poor, is what will help them earn more money through their own efforts.**

# The Saga Of UBS

MONDAY THE 21ST JANUARY WHEN SENSEX FELL BY 1,408 points, some of them would have remembered another Black Monday, 17 May 2004, when election results poured in and indicated that the National Democratic Alliance had lost majority. The Securities and Exchange Bureau of India investigated that crash, and blamed Union Bank of Switzerland for having engineered it.

BLOOMBERG

After deliberating for a year, on 17 May 2005 it banned UBS from issuing or renewing participatory notes for a year. UBS appealed against the ban, and the Securities Appellate Tribunal lifted it that September. But the crash was so beautifully timed that in the view of BJP politicians, it was engineered by their political opponents to stop the Democratic National Alliance from coming back to power. Politicians of minor parties who had stashed their wealth away in stocks bolted and joined the United Progressive Alliance — so, at any rate, it seemed to their erstwhile partners in the outgoing NDA government.

**The proceedings against the Swiss bank and Hasan Ali Khan have been so non-transparent as to smack of a vendetta**

Their suspicions were confirmed when news came out of links between UBS and Hasan Ali Khan, the wealthy horse breeder of Pune. The income tax department got together with the enforcement directorate and raided Khan's house in January 2006. They put it out to their friends in the press that they had found cash and jewellery worth almost Rs 20 million, and that Khan had confessed to undisclosed income of four times as much. They took away his and his wife's passport. When he approached the court for its return, the directorate alleged that he had three passports; by that time their estimate of his wealth had grown to Rs 320 billion. And just in case that did not impress the court enough, they added that they suspected Khan of links with terrorists.

Meanwhile, UBS bought Standard Chartered Bank's mutual fund business in January 2007. Being a bank, they needed Reserve Bank's permission. They applied for it. Apply, apply, no reply. After waiting for Reserve Bank's reply for almost a year, UBS gave up.

The enforcement people barged into Khan's flat again in March 2007. This time they did not find stacks of cash, but they took away Khan's laptop. There, they put out, they had found evidence of deposits of $8-9 billion in an account in a Swiss bank; read UBS in parentheses. They spread it about that Khan was a hawala operator. The only problem was that they could not find a law to charge him under. Since the repeal of the Foreign Currency Regulation Act, having a bank account abroad is no longer a crime. A figure in a laptop is not evidence. Unless Khan could be proved to have shot a VIP or paid a terrorist or vice versa, he could not be charged with terrorism. Unless he could be proved to have paid a drug dealer or vice versa, he could not be charged with money laundering. Their mouths watered. If they could convict Khan, they could make him pay a fine of three times his holdings — say, $25 billion, or Rs 1,000,000,000,000. There was all this moolah waiting to be appropriated; all they needed was a shred of evidence, and they could not lay their hands on it. They approached the Swiss government, Interpol, and all their other counterparts abroad. Those fellows looked at the evidence, and told our super sleuths to go jump in the lake. So frustrating.

It was slow work, but a year later they thought they were getting close to charging him. On 14 February this year, Hasan Ali Khan and his wife approached Bombay High Court for anticipatory bail; they were refused. But — surprise, surprise — five days later, Reserve Bank suddenly issued UBS a licence. What happened to this player with P-notes, financier of a hawala operator? Why did Reserve Bank suddenly decide he was innocent and respectable? It put out rumours that it had succumbed to pressure from the finance ministry.

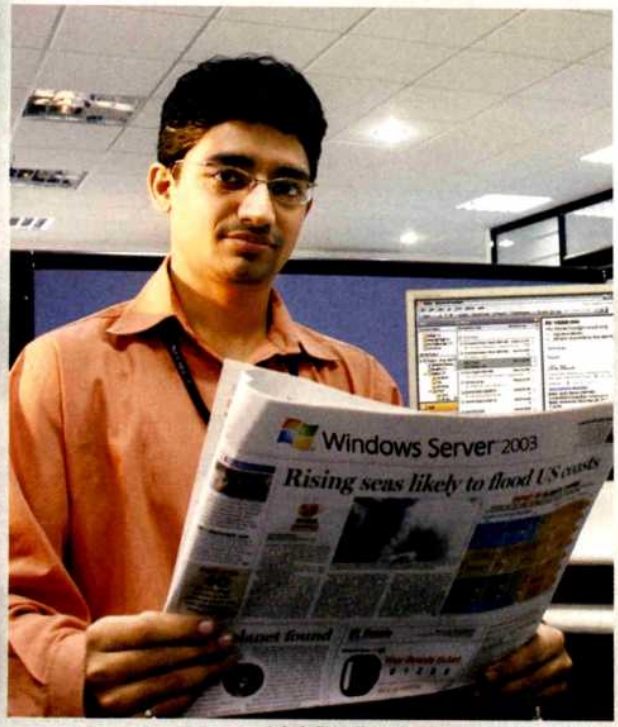
The finance ministry is not in the business of being frank, so we have to fall back on our own guesses. There we have three alternatives. One is that this is a government of hawala operators, Muslims, xenophiles, pedophiles and such undesirables, and that nothing better can be expected from it. The second is that the heart of the government is in the right place, but Switzerland is too important a country to slight; the government gave in to Swiss pressure. The third is that the entire case against Khan and UBS leaked to the press over the years by the enforcement directorate and Reserve Bank of India is fabricated. They have just been creating business for themselves. Take your pick.

# The Highly Reliable Times

VOLUME 1 – ISSUE 2

Windows Server 2003

# WINDOWS CLICKS WITH NET4INDIA OVER LINUX




*Ashok Choudhary for The Highly Reliable Times*

Net4India manages its multitude of internet based services efficiently with a strong IT backbone.

## VALLI SPEAKS OUT:

*"Customers are looking for millisecond response times which the Linux and MySQL was unable to cope with. We wanted our Web servers to return queries in milliseconds. This has been achieved by the new application running on SQL Server 2005 and Microsoft .NET Framework 3.0,"*

*- Desi S Valli, ED & COO, Net4India.*

## *Millisecond customer response made possible by a reliable communication platform*

**By C. LAL**

NEW DELHI, Nov. 2007 - Net4India is the leading pan-India IP communications company and the only Indian Internet communications company with service provisioning ability on a multitude of Internet based services such as domain registration, Web hosting, data center operations, business e-mail solutions, Internet telephony services and Internet access services.

Net4India had built its portal on open standards i.e. Linux as the operating system and MySQL as the database. However problems plagued this arrangement, right from slow lead time affecting customer experience to unreliable web environment that required the team to constantly develop updates. Net4India required a scalable, reliable and secure solution to manage its operations.

Which is why, Net4India turned to the Microsoft® .NET Framework 3.0 programming model. The Technology team used Windows® Communication Foundation and Windows Workflow Foundation to simplify, speed up and future-proof its applications. More importantly, it provided the seamless, secure, and reliable connection across the e-commerce portal that Net4India was looking at.

"Customers are looking for millisecond response times which the Linux and MySQL was unable to cope with. We wanted our Web servers to return queries in milliseconds. This has been achieved by the new application running on SQL Server 2005 and Microsoft .NET Framework 3.0," explains Desi S Valli, ED & COO, Net4India. The solution was designed keeping in mind enhancement of the user experience and to provide a reliable technology platform for high usage data center environment.

The customers seem to be the real beneficiaries of the improvements that the new Microsoft Windows®-based architecture employed by Net4India brings. For the full Net4India case study plus other independent case studies and research findings on reliability of Windows Server over Linux, visit us at microsoft.com/india/getthefacts

## BREAKING NEWS: Satisfied customers back the secure communication platform

Consistent updates ensure Net4India delivers a secure platform and a long line of supremely happy customers. – *Continued on Page 14*

© 2008 Microsoft Corporation. All rights reserved. Microsoft, Windows, the Windows logo and Windows Server are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

McCann/MSFT/23/08

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09, LICENSED TO POST WITHOUT PREPAYMENT
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 RNI NO. 39847/81


# CEMENT THAT STANDS APART

## THE ONLY "CONSUMER SUPERBRAND" AMONGST CEMENT BRANDS

Being the largest cement company doesn't prevent us from paving newer paths and setting higher benchmarks. It's the same passion that has transformed us from being a brand of quality cement to a company that helps you build. And the prestigious panel at Superbrands India Council and an independent market research by A.C. Nielsen appreciates this unique endeavor of ours.

We are ACC cement, the only cement brand conferred with the coveted "**Consumer Superbrand**" status.

**www.acclimited.com**

**Build with confidence**

ACC

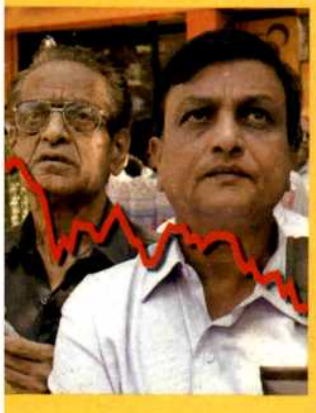
COCA-COLA'S CHALLENGES P.44 ANTI-SMOKING DRUG P.60

Rs 10

# Businessworld

www.businessworld.in 31 MARCH 2008 SUBSCRIBER COPY NOT FOR RESALE

## BATTLING CRASHING MARKETS



Expert tips on how to combat different scenarios PAGE 54

+

Tatas gunning for top slot in defence sector PAGE 48

Akhil Gupta, CMD, Blackstone Advisors India

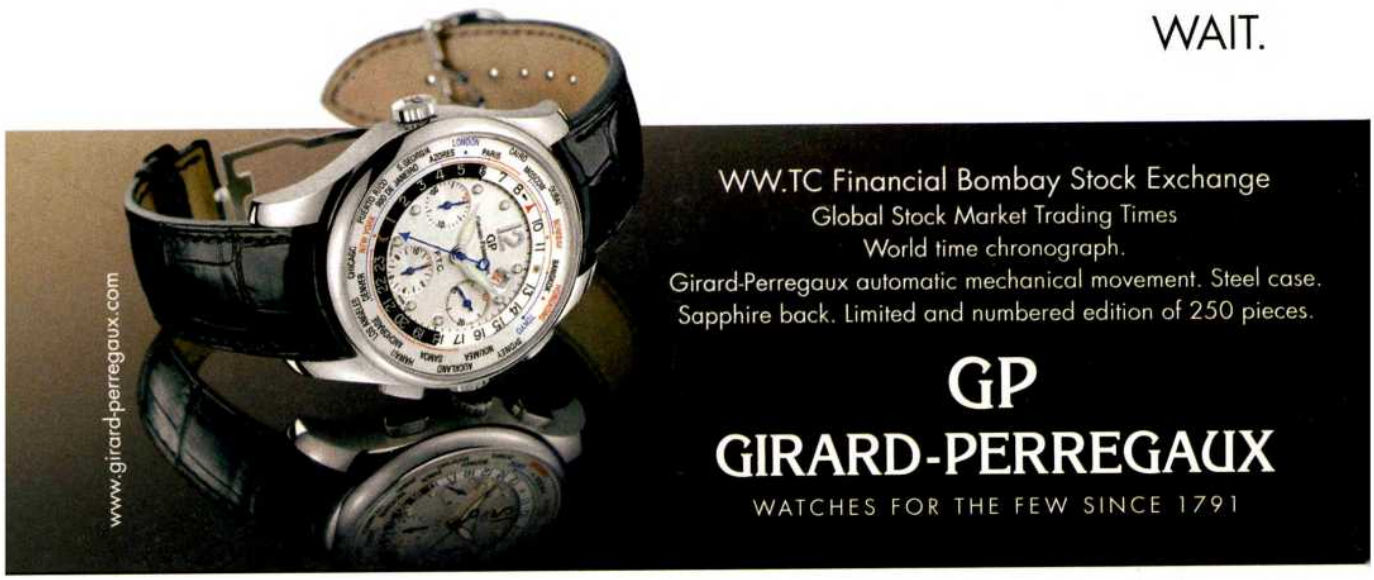
# INSIDE BLACKSTONE

## A peek into how the giant is playing the hard times

1 INDIA'S No. BUSINESS MAGAZINE MOST READ MOST SOLD

Château Lafite Rothschild, 2000

WAIT.




**EXCLUSIVE BOUTIQUES**

The Taj Mahal Palace & Tower, Apollo Bunder, Mumbai. Tel : 022 - 22884661
Taj Deccan, Road No.1, Banjara Hills, Hyderabad. Tel : 040 - 23392090
Email : gp@entrackonline.com

Equity funds are best judged by their performance over a longer time horizon.

**uti**
**Infrastructure Fund**
**Turning the wheels of prosperity**

Ranked Top Performing Infrastructure Fund-Income, in the World, over the three year period ended December 2007

**The Good News:** UTI Infrastructure Fund - Income which emerged as the Top Performer among all Infrastructure Funds in the World has generated a Compounded Annualised Return of #63.29 % over the 3-year period ended 2007 (Dec. 31, 04 to Dec. 31, 07) and secured the first rank as per Lipper Global Data. The ranking was across funds worldwide. #Past performance is no guarantee of future results.

uti
Let's plan to get rich **UTI Mutual Fund**

**Toll Free:** 1800 22 1230 **SMS:** 'INFRA' to 5676756 **Email:** infra@uti.co.in **Web:** www.utimf.com

**Methodology & Disclaimer:** World Ranking over three- year period ended Dec 2007 UTI Infrastructure Fund-Income has also secured the first rank (three-year compounded annualised return of 63.29 % in INR as on 31st Dec 07) and emerged as the **top performing infrastructure fund in the world over 3-year period** (31st Dec 04 to 31st Dec 07) ended 2007, as per Lipper Global Data. "The customized report, highlighting the top performing Infrastructure funds in the world during the year 2007, is based on the study of all funds flagged as" Infrastructure Funds" as per Lipper Global Fund Data, having a minimum track record of at least 3-years as of December 2007 end. In total, 11 Infrastructure funds (primary) qualified for the study for 3-year period. Ranking is based on 3-year annual compounded returns, denominated in INR for the period ended 31st December 2007. **Data Source:** Lipper, a Reuters Company (www.lipperweb.com)"
**UTI Infrastructure Fund:** An open-ended equity fund **Investment Objective:** To provide capital appreciation by investing in the companies engaged in the sectors like Metals, Building Materials, Oil & Gas, Power, Chemicals, Engineering etc. The fund will invest in the stocks of the companies which form part of Infrastructure Industries. **Load Structure For Regular & SIP Applications:** Entry Load for Investments < Rs. 2 crores - 2.25%, for Investments > = Rs. 2 crores - Nil; **Exit Load** for Investments < Rs. 2 crores - 1% for < = 180 days, for Investments >= Rs. 2 crores - 0.50% and for investments held >= 180 days - Nil. **Direct Applications:** With effect from January 4, 2008, no entry load shall be charged for direct applications received by the Asset Management Company i.e. applications received through internet, submitted to AMC or Collection Centre / Investor Service Centre that are not routed through any distributor / agent / broker (including applications for additional purchases received directly from an investor under the same folio and switch-in to a scheme from other schemes, if such a transaction is done directly by the investor). **Registered Office:** UTI Tower, 'Gn' Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. Phone: 022 - 66786666. **Statutory Details:** UTI Mutual Fund has been set up as a trust under the Indian Trusts Act, 1882. **Sponsors:** State Bank of India, Punjab National Bank, Bank of Baroda and Life Insurance Corporation of India (liability of sponsors limited to Rs. 10,000/-). **Trustee:** UTI Trustee Co.(P) Ltd. (Incorporated under the Companies Act, 1956). **Investment Manager:** UTI Asset Management Co. Ltd. (Incorporated under the Companies Act, 1956) **Risk Factors:** All investments in mutual funds and securities are subject to market risks and the NAV of the fund may go up or down depending upon the factors and forces affecting the securities markets. There can be no assurance that the scheme objectives will be achieved. Past performance of the Sponsors/ Mutual Fund/ Scheme(s)/Asset Management Company (AMC) is not necessarily indicative of future results. UTI Infrastructure Fund is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or returns. The mutual fund does not guarantee or assure any dividend under the scheme and the same is subject to availability of distributable surplus. Realization of all the assurances and promises made, if any, are subject to the laws of the land as they exist at any relevant point of time. The scheme is subject to risks relating to Credit, Interest Rates, Liquidity, Securities Lending, and Investment in Overseas Markets, Trading in debt and equity derivatives (the specific risk could be Credit, Market, Illiquidity, Reinvestment risk, Interest rate swaps and Forward rate agreements). Please contact the nearest UTI Financial Centre, Chief Representative or AMFI certified UTI Agent for a copy of the Key Information Memorandum cum Application Form and Offer Document. **Please read the offer document carefully before investing.**
UTI Asset Management Company Ltd is proposing, subject to market conditions and other considerations, a public issue of its equity shares and has filed a Draft Red Herring Prospectus with SEBI. The Draft Red Herring Prospectus is available on the website of SEBI at www.sebi.gov.in and the respective websites of the BRLMs at www.jmfinancial.in, www.citibank.co.in, www.enam.com, www.gs.com/country_pages/india, www.ibb.ubs.com / Corporates / indianipo, www.icicisecurities.com, www.sbicaps.com and www.india.clsa.com. Potential investors should refer to the DRHP for Risk Factors and other information. This advertisement is restricted and not for publication or distribution in or into the United States. This advertisement is not for offer or sale in or into the United States of any equity shares or any other security of the company. The securities of the company have not been and will not be registered under the US Securities Act of 1933, as amended from time to time and may not be sold in the United States absent registration under US securities laws or an exemption from such registration. There will be no public offering of any equity shares or any other security of the company in the United States."

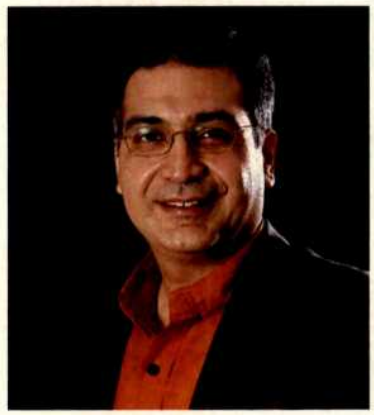
## Editor's Letter

# Black Knight Marches In

**by jehangir s. pocha, editor**

WHEN *BW* RAN COVER STORIES IN October and December last year saying the economy was diving, some vilified us as 'negativists'. Now, with indices falling as predicted, we thought it would be interesting to take a look at a company that might benefit from the hard times ahead.

Hyper dealmaker Blackstone has consistently been one of the world's most intriguing firms, and the Indian arm of this private equity giant could benefit hugely as valuations fall and growing companies find themselves unable to go public. Last year, Akhil Gupta, the former Reliance Industries star who heads Blackstone in India, invested $1 billion in India's hottest companies, and this year his pipeline is already larger. But will these deals come through? Blackstone's success hinges around its array of principals and investors, which includes luminaries from all the global power centres — from US treasury secretaries to Fortune 500 CEOs to European royalty and Asian powerbrokers. Blackstone has been consummate in using this network to forge deals and further the fortunes of its companies. So the new big boy of old boys' clubs should have no trouble playing in what is one of the most insider-oriented economies in the world.



There are moral complications. Should companies be taken public, so that their wealth is shared by many, instead of being bought by a clique of private investors? Do private equity firms build institutions or are they corporate raiders under a different label? While US regulators and public opinion are vexed by these issues, in India the capital and contacts Blackstone offers are seen as luxuries not to be blemished by cumbersome debates over corporate morality. Nine per cent growth is the only thing that will create the surpluses we need to develop nationally, we are told. With this mindset taking hold, the sale of a few firms to Blackstone probably won't disturb a nation that, insiders say laconically, has itself been put on sale by its politicians.


**Businessworld**

**Volume 27 Issue 45.**
**For the week 25-31 March 2008,**
**Released on 24 March 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

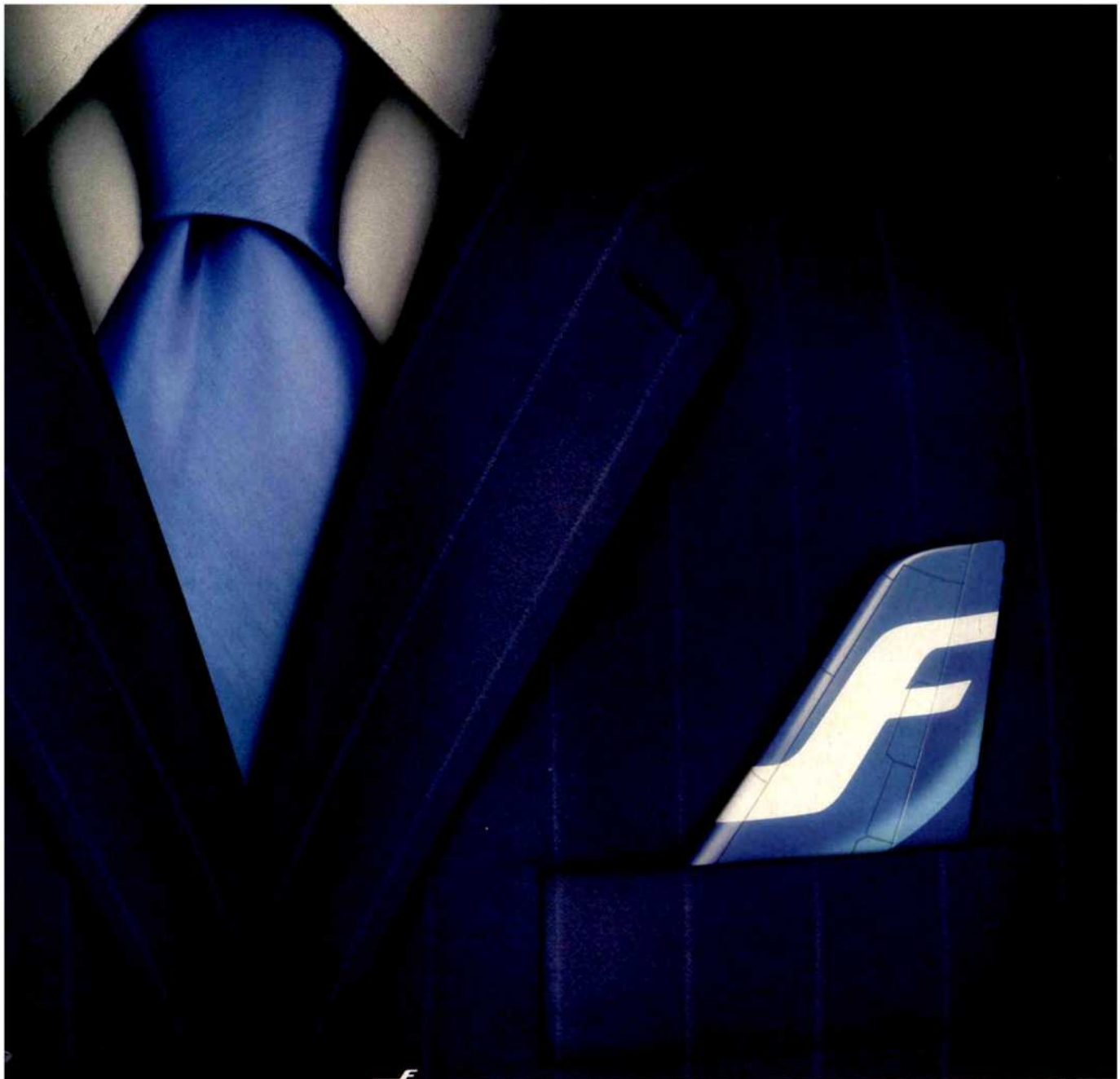
**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
**Bangalore**
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*



JOIN THE FINNAIR CORPORATE PROGRAMME BETWEEN
**1st - 31st MAR '08**, UPGRADE TO A HIGHER LEVEL OF BENEFITS

**Our special welcome offer elevates your organisation straight to a higher level of benefits. Fly on our fast and punctual airline to Europe* via Helsinki and find business trips on Finnair make better business sense.**

For more information and membership application, visit www.finnair.com/in

oneworld

*To 50+ destinations in Europe including Amsterdam, Barcelona, Berlin, Brussels, Budapest, Copenhagen, Düsseldorf, Frankfurt, Geneva, Gothenburg, Hamburg, Helsinki, Kiev, London, Madrid, Manchester, Milan, Moscow, Münich, Oslo, Paris, Prague, Riga, Rome, Stockholm, St. Petersburg, Tallinn, Vienna, Vilnius, Warsaw, Zürich... Also to New York.
Terms & conditions apply.

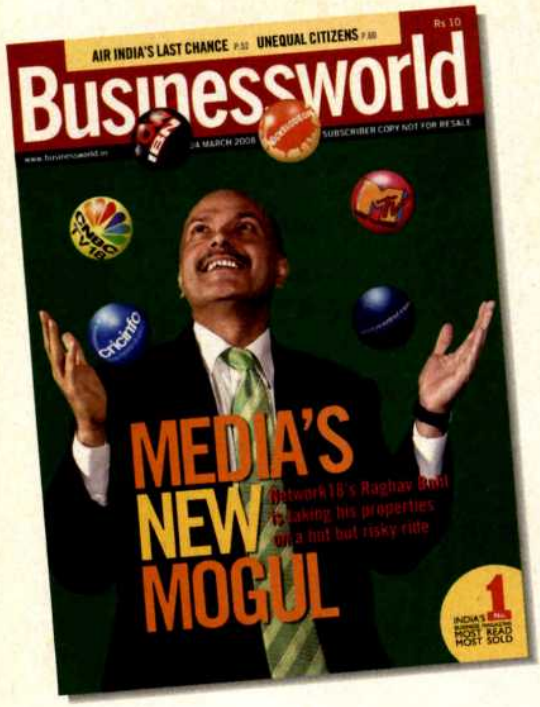
FINNAIR
YOUR AIRLINE TO EUROPE

**www.viahelsinki.com**

**Call Delhi : +91-11-43699200; Mumbai : +91-22-40524300 to 06 or Email: contact.in@finnair.co**
Daily flights from Delhi & 5x weekly from Mumbai (6x weekly from Mumbai, including weekends, starting from June '

Ideas/Finnair

# Feedback your comments




## All The Right Moves

Media industry is growing by leaps and bounds ('Media's New Mogul', *BW*, 24 March 2008), but at the end of the day, it's all about survival of the fittest, and that's exactly what Network18 is doing by employing different strategies in order to expand its network. Though founder Raghav Bahl failed initially, it didn't stop him from pursuing his dream of producing a channel specifically designed for corporates. It may be sort of a monopoly of media intellectuals, but is at least better than those news and entertainment channels, which have forgotten which business they are in. Network18's audacious entry into an alien territory like print is extraordinary, but one should not forget that big players already hold a major share of the market pie.

**Vineet Bhalla,** via e-mail

**WRITE IN AT**
bweditor@abp.in
or post us on
www.businessworld.in

## They Have It In Them

Your article 'Rough Roads Ahead' (*BW*, 17 March 2008) was quite analytical and full of critical research. Indian companies are going for mergers and acquisitions all over the world. Tata Motors is one such big player. On the commercial side, ACE is a great success story. It is good to see the Tata group making such great strides. But the financial burden may upset the balance sheet of Tata Motors.

Recently, we saw a similar financial burden arise in Tata Steel's balance sheets due to the Tata-Corus deal. But Tata Motors' small car Nano and the upcoming bio-fuel car may put Tata Motors in a significant position in the global automobiles industry. As investors, we have faith in the management and wish for the best to be delivered by them. Like you, we also believe that "if any one can pull it off, they can".

**Arindam Chatterjee,** via e-mail

In The News automobile
Rough Roads Ahead

## Now Is The Time To Act

Indian agriculture ('Innovate, or pay more' *BW*, 17 March 2008) faces some chronic problems such as fragmented landholdings, rain-fed cultivation, inadequate infrastructure, hardly any direct government intervention in production and investment decisions of farmers. Agricultural growth has remained confined to a few pockets, which has created regional disparities. Moreover, increasing oil prices and consumption levels are further adding to the problem. I believe we need to urgently take some concrete actions, else, we may find the 'India growth story' to be fiction.

**Akshat Agrawal,** via e-mail

## Keeping A Check

Corporatisation of cricket ('Just Not Cricket' BW, 24 March 2008) is no problem as long as it does not affect the players' performance and earns revenue for the institution. But the consistently inconsistent performance of the Indian team is a clear reflection on poor administration by the BCCI.

**Srinivasan Umashankar,** via e-mail

## Corrigendum

The *BW* cover (24 March 2008) carried brand 'cricinfo' as one of the properties of Network18. We wish to clarify that Network18 owns 'cricketnext.com', not 'cricinfo'. The error is regretted.

*Letters may have been edited for brevity.*

MasterCard Maestro

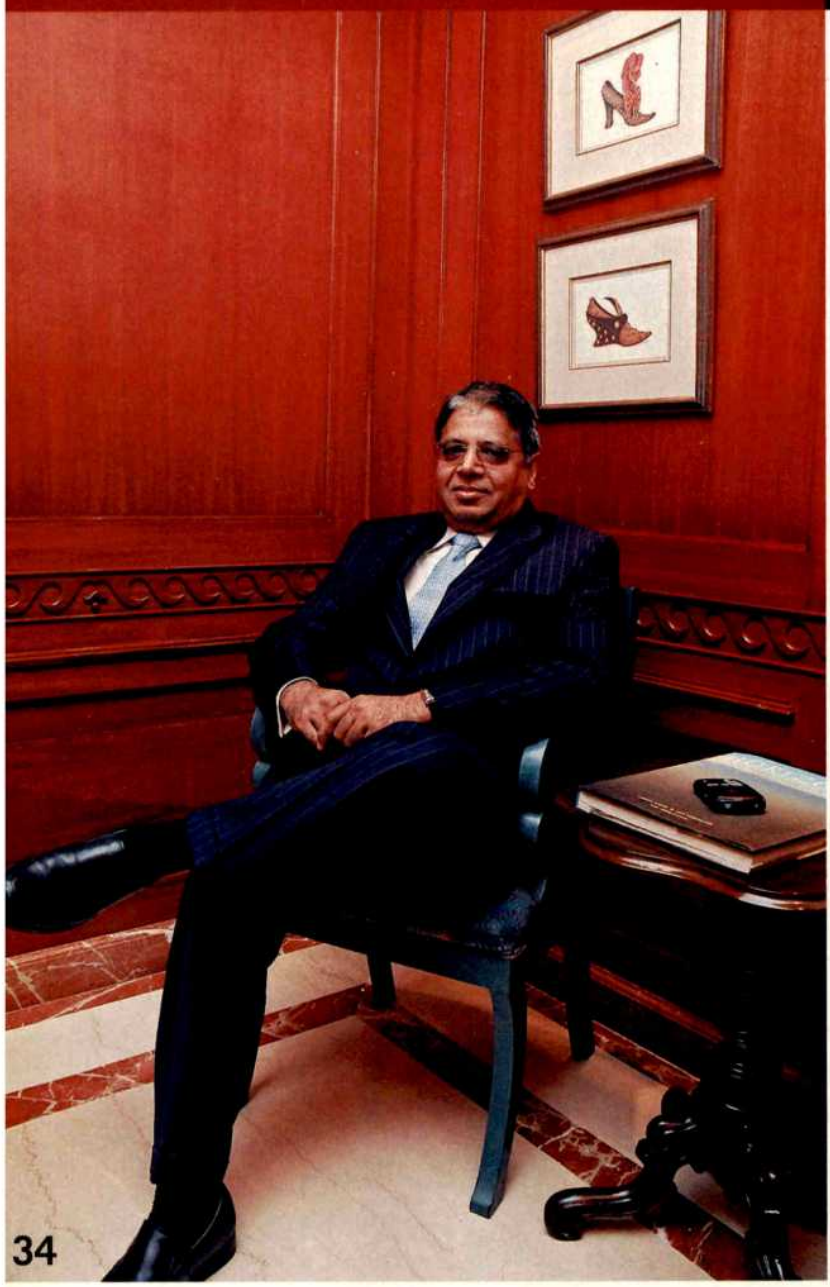
SHOP FOR ALMOST ANYTHING WITH YOUR
MAESTRO CARD AND DEBIT MASTERCARD.
IT'S BETTER THAN CASH.

**With the Maestro Card and Debit MasterCard,** you can enjoy the power of cash without having to carry it. Shop for everyday purchases like fuel, groceries, clothes and books among many others with just one swipe. It's safe, convenient, widely accepted and better than cash.

*Accepted wherever your everyday shopping might take you.*

McCann/MCARD/452/07/2

Businessworld 31.03.08


34

SUBHABRATA DAS

COVER STORY

# 34 The PE Giant

Blackstone, the world's most intriguing private equity firm, is on a roll in India where most players are either down or out. An inside look at what makes it tick.


**40 Interview**
Market crash does not bother Blackstone's India head Akhil Gupta. He says if the markets fall, entrepreneurs are more open to private equity.


## ON POINT


**10 All Eyes On Titagarh**
Success of Titagarh Wagons' IPO will hold out hope for other candidates.

**11 India's Shame**
By siding with China, India has tainted its international reputation.

**14 Banking For The Poor**
Banks are tapping the urban poor by offering no-frills accounts.

**16 FIANCHETTO**
Weekly strategic corporate moves.

**18 QUICK TAKE**
Is banning foreigners from buying land in global centres such as Goa feasible?

48

54

## IN THE NEWS


**22 New Licence**
RBI's special treatment to AmEx.

**24 Bringing Them Round**
Will NELP VII attract world majors?

**26 Choppy Waters**
Hiring of sailers needs to be regulated.

**28 Bear Stearns**
The bailout points to US Fed's failure.


## IN DEPTH


**48 Arms And The Man**
Tata is creating a defence conglomerate to rival Lockheed Martin and BAE Systems.

**60 Anti-smoking Drug**
After its launch in the US, Pfizer brings its anti-smoking drug to India.


## SPECIAL REPORT


**54 Wrestling With Bears**
Advice on what to do in different scenarios in a market that's volatile.


## IN VOGUE

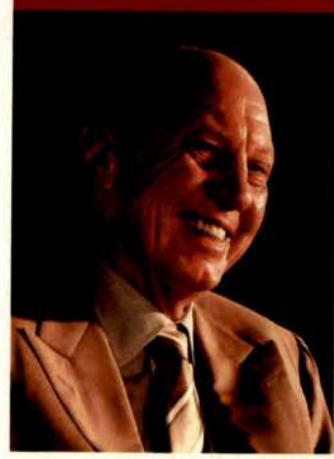

**73 Craft of Design**
Surajkund is the perfect platform for designers to display their talent.

**78 Fashion Means Business**
Business, for a change, overshadowed the ramp at India Fashion Week in Delhi.

**80 Bookmark**
The untold story of LG Electronics, a pregnant king and the vision of army.


## COLUMNS


**20 Omkar Goswami**
There's high probability of a fairly long cycle of food price inflation.

## IN CONVERSATION


**44 E. NEVILLE ISDELL**
CHAIRMAN & CEO,
**THE COCA-COLA COMPANY**

Coca-Cola is passing through its most trying phase. It has become a prime target for anti-obesity lobbies. Schools and colleges are banning soft drinks on the campuses. Isdell on how it will cope.

**32 Bill Emmott**
It's not withdrawals from the Olympics, or the Tibet protests. It's inflation.

**42 Rajeev Chandrasekhar**
With ever shorter sessions, the Parliament has been reduced to a legislative body.

**70 Gurbir Singh**
Television, which relies on Bollywood for content, has outperformed it.


## BW & YOU


**06 FEEDBACK**

**63 CASE STUDY**

**82 BW OPINION**



**Cover Design by Jyoti Thapa Mani**
**Photograph: Subhabrata Das**



**BWonline**
**businessworld.in**
WEB EXCLUSIVES

TechnoCool
Tushar Kanwar talks about ultraportable MacBook Air and a smart power strip.

Bits & Bytes
Surit Doss on what all your pen drive can carry besides programmes and movies.


Total No. of pages including cover: 84

STOCKMARKETS

# Will Titagarh Make It?

**A volatile market has forced many companies to defer their IPO plans**

AP

**FLUID TIMES:** In a highly unstable market, investors' plans go for a toss

GENERALLY, A BEARISH market scares away companies planning to raise funds. This time, the only exception is Titagarh Wagons, the Kolkata-based maker of bridges and rail wagons. Titagarh's initial public offering (IPO) of Rs 130 crore opens on 24 March. At the time of going to press, the firm had priced its share in the Rs 540-610 band, substantially discounted from the Rs 672 at which it had placed its share with private equity firm Blackstone.

The BSE Sensex down 27 per cent since January 2008, has made at least 12 companies postpone or withdraw their IPOs in the past three months. "Most of the withdrawals happened on account of sharp changes in prevalent valuation bands," says Prateek Agrawal, head of equity at Bharti AXA Investment Managers.

The drought in the IPO market is going to affect capital expenditure plans of companies. "The withdrawal will have an impact on companies that planned to acquire or finance projects with the proceeds of their IPOs," says Prithvi Haldea, managing director of Prime Database, in Delhi. "These firms will be the worst hit."

The shares of many companies that took on the parched IPO market in the past three months have tumbled much below their offer price. Companies such as Reliance Power, Future Capital and Brigade Enterprises, which were listed in 2008, are all trading 30 per cent below their issue price.

If Titagarh does not back out, and is successful despite the bearish market, it will raise hopes in the 150-175 companies lined up for IPOs in 2008. But is that a bridge too far even for Titagarh Wagons?

*Abhishek Chowdhury*

**70** per cent corporates believe that corporate fraud in India will increase, says a recent KPMG study.

**QUOTE OF THE WEEK** **"Oil prices are not going up because of a lack of output, but from the effect of speculation."**

— OPEC President Chakib Khelil

TIBET

# India's Take

**By siding with China, India has tainted its international reputation**

THE ONGOING protests in Tibet are the worst since 1989. Then, Hu Jintao, who governed the province China calls the Tibetan Autonomous Region (TAR) before becoming China's President, declared martial law.

Now, with fears of a similar outcome, world powers have criticised China's handling of the latest round of violence in Tibet. Only India has been toothless in standing up to China and ruthless in cracking down on domestic Tibetans protesting against Beijing.

While this taints India's international reputation and casts doubts over New Delhi's commitment to the UN's Universal Declaration of Human Rights, it has pleased Chinese Premier Wen Jiabao, who publicly appreciated India's cooperation.

The opposition has its own dubious record over Tibet. In 2003, the then Prime Minister Atal Behari Vajpayee, during a visit to Beijing, accepted the official Chinese definition that Tibet was only the TAR.

The Left represents another extreme. It opposes the Indo-US nuclear deal alleging it would increase American influence on India's foreign policy. But when India's foreign policy is being influenced by Beijing, the Left's silence is deafening.

*Pierre Mario Fitter*

AP

**CRACKDOWN:** China's handling of the Tibetan issue has drawn criticism from all over

## Global NEWS

AP

**Iran elections:** Iran's disqualifying as many as 1,700 candidates for the parliamentary elections held last week has prompted the European Union to term the elections 'neither free nor fair'.

Despite facing a nearly 20 per cent inflation rate, Iranians voted the ruling conservative coalition back to power, giving them a 74 per cent majority.

## BLACK GOLD

Oil exports from OPEC members is poised to hit $927 billion in 2008

| OPEC country | Oil export revenues 2007, in billions | Per capita oil export revenues |
|---|---|---|
| Saudi Arabia | $193.8 | $7,012 |
| UAE | $63.0 | $23,817 |
| Iran | $57.3 | $876 |
| Nigeria | $55.3 | $409 |
| Kuwait | $54.3 | $21,619 |
| Algeria | $50.6 | $1,516 |
| Venezuela | $48.3 | $1,850 |
| Angola | $43.8 | $3,566 |
| Libya | $40.6 | $6,712 |
| Iraq | $37.8 | $1,372 |
| Qatar | $26.6 | $29,235 |
| Ecuador | $7.8 | $565 |
| Indonesia | -$4.2 | -$18 |
| OPEC | $674.7 | $1,147 |

Bloomberg

INDO-RUSSIAN DEFENCE DEAL

## THE HONEYMOON IS OVER

A CHILL HAS SET IN BETWEEN INDIA and Russia over defence deals. The refurbished aircraft carrier ship Admiral Gorshkov, which Russia was to deliver by August 2008, will now come to India only by 2011. The Russians have also demanded an extra billion dollars for refitting.

Meanwhile, Russia's Irkut Corporation has decided to pull out of the tie-up with Hindustan Aeronautics (HAL) for making the multirole transport aircraft (MTA). Irkut ostensibly wants to sell some readymade MTAs to India and then license HAL to make the rest of the 60 aircraft. India may now collaborate with a western company.

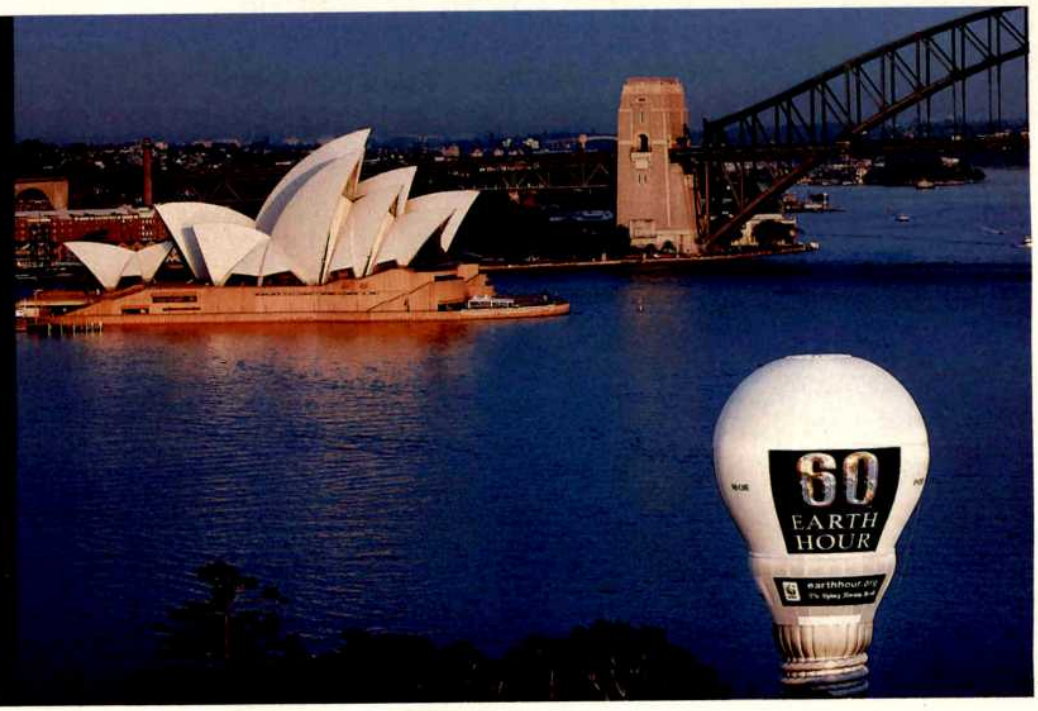
The Indo-Russian joint venture for Brahmos missiles has also seen rough patches due to the Indian venture's attempts to export these missiles.

The new capitalist Russia is not interested in sweetheart deals with its long-term ally anymore, and India too is looking to get the best now that its relations with the US have warmed up.

*Feroz Ahmed*

## EARTH HOUR

A hot air balloon is tethered at Sydney Harbor as a prelude to the upcoming Earth Hour event on 29 March. Twenty-four cities around the world will take part in Earth Hour, a global movement that began in Sydney last year, with residents and businesses encouraged to turn off lights for an hour at 8 pm on 29 March.




AP

HYDERABAD AIRPORT

# No Take-off

**Timely conclusion of agreements could have saved the airport**

14 MARCH WOULD GO down as an embarrassing day for the United Progressive Alliance (UPA); after UPA Chairperson Sonia Gandhi inaugurated the Rajiv Gandhi Intl Airport at Hyderabad — which was to be fully functional within the next 48 hours — its promoter GMR got a message from the civil aviation ministry, putting in abeyance the clearance for its operations.

As it turned out, a handful of domestic lowcost airlines and Jet Airways were still haggling with the airport's ground handlers. "They are demanding twice the cost of self handling," says SpiceJet Executive Chairman Siddhantha Sharma. Cutthroat competition, he says, will prevent airlines from passing the charges to flyers.

Timely conclusion of the agreements would have saved the airport — and the UPA's reputation — from being held to ransom.

*Puja Mehra*

GOA TOURISM

REUTERS

## Tourism Takes A Dent

THE TOURISM INDUSTRY IN GOA IS DOGGED by the fear of losing business following the wide publicity of British teen Scarlett Keeling's murder case. Industry observers believe the sensational case has sent a wrong signal to international tourists, who form a chunk of Goa's visitors. Meanwhile, the Goa police have increased random check on tourists. Local pub owners have also been asked to shut shop by midnight.

**Reality Check**

**Japan Steel Works is the only steel plant in the world capable of making 600-tonne ingots — used in nuclear reactors to house the radioactive core — in a single piece.**

BOLLYWOOD

# THE RACE FOR MOOLAH

AMONG THE MANY HOLI weekend releases, *Race* stands apart. The film, initially produced by Tips Industries, was first offered as a package along with another production called 'Kismet Connection' to Studio18 for around Rs 72 crore.

However, even as the paper work for signing the deal was on, UTV barged in and offered to up the price by Rs 15 crore. Studio18 walked away from the deal. In Bollywood, there are a limited number of films that can make a splash. On the other hand, film companies such as Eros and UTV Pictures are fighting on the sidelines to buy out producers who have a sellable product in the pipeline. Result: the price of movies that star a Shah Rukh Khan or Akshaye Kumar are for the first time touching the Rs 100-crore Rubicon. "There is too much money chasing too few film products," concedes Studio18's CEO Sandeep Bhargava.

*Gurbir Singh*

# TOP 10 LISTINGS

**TOP 10 HYBRIDS IN 2008**

| | | |
|---|---|---|
| 1 | Toyota Prius | $21,100<br>48/45 |
| 2 | Saturn Vue Green Line | $24,170<br>25/32 |
| 3 | Honda Civic Hybrid General Electric | $22,600<br>40/45 |
| 4 | Toyota Camry Hybrid | $25,200<br>33/34 |
| 5 | Lexus RX 400h | $41,280<br>27/24 |
| 6 | Toyota Highlander Hybrid | $33,700<br>27/25 |
| 7 | Ford Escape Hybrid | $26,505<br>34/30 |
| 8 | Chevrolet Tahoe 2 Mode Hybrid | $49,590<br>21/22 |
| 9 | Saturn Aura Green Line | $22,140<br>24/32 |
| 10 | Lexus GS 450h | $54,900<br>22/25 |

Figures are manufacturer-suggested retail price and estimated mileage, respectively. Source: Cars.com

**Why the government's diktat to drug makers may not succeed**

PHARMACEUTICALS

# Easier Said Than Done

TRIBHUWAN SHARMA

UNREACHABLE: Benefits of duty cut won't reach consumers

THE GOVERNMENT HAS said drug makers will have to pass on a 50 per cent excise duty cut on medicines, announced in the Union Budget, to consumers. It will be challenging to make this happen. The Indian pharmaceutical market has hundreds, if not thousands, of manufacturers and at last count some 60,000 finished dosages in myriad packs available in different parts of the country. Of these, many are made in industrial belts like Baddi in Himachal Pradesh, which are excise-exempt and don't qualify.

New Delhi's National Pharmaceutical Pricing Authority (NPPA) follows the prices of some 74 drugs (one drug may be sold under different brand names by various companies) which are under price control. Even that has proved to be an uphill task with the regulator discovering from time to time that firms have been violating price control norms with impunity. And there is of course the trade — wholesalers and retailers who also need to be monitored to ensure that they pass on the manufacturer's discount to patients.

The NPPA is currently meagrely staffed and depends on state administrations for on-ground information. Mumbai's ORG-IMS, the market research firm that tracks the domestic pharma market and whose data the NPPA has relied upon in the past does not track maximum retail prices but the stockist's price to the retailer.

Clearly, there are many hurdles to be overcome before the Budget can claim victory in lowering drug prices.

*Gauri Kamath*

## THE COST OF BAD GOVERNANCE

BY K. YATISH RAJAWAT

TRIBHUWAN SHARMA

INDIA IS POSSIBLY THE ONLY country in the world that does not have mandatory standards for delivery of healthcare. Rather, there are more standards defined for restaurants and hotels than there are for hospitals. While many countries have either enforced standards under the national healthcare plans or through legislation or because of pressure from private health insurers, India has little choice but to go for legislation because the other two are too weak themselves to enforce any standards.

Consider this. The Bureau of Indian Standards has announced standards for hospitals with 30, 100 and 250 beds and the National Institute of Health and Family Welfare has laid out rules for all hospitals that have more than 50 beds. But these are still voluntary.

In 2005, hospital owners and doctors started an industry initiative — National Accreditation and Board for Hospitals and Healthcare Providers (NABH) to push for voluntary accreditation of hospitals if they met the standards laid down. At last count, and after three years, it has accredited barely 12 hospitals from a universe of 500,000 hospitals. This is largely because NABH has no legislative backing to enforce these standards.

Some states such as Maharashtra and Andhra Pradesh have also made attempts and consumer bodies and non-governmental organisations have worked on institutionalising standards for accreditation. But none of these could create gravitas because they couldn't gather the unity of purpose to enforce compliance. As a result, any hole in the wall can call itself a hospital and offer surgery in its premises. In contrast, try opening a restaurant without permission and watch how the entire governmental machinery comes charging in.

Directly connected with standards is the pricing issue. While health insurance companies have been insisting on standardising prices, there are no regulatory standards to determine healthcare delivery pricing in India. The health ministry introduced a half-baked Bill called Clinics Establishment Act last year, but the Ministry is not pushing it.

Indians are neither safe in most hospitals nor with most doctors. The government must play its role in legislating standards. After all, the cost of bad governance in healthcare is measured in human lives.

BANKING

# Financial Inclusion

**Banks are tapping the urban poor by offering no-frills accounts**

BANKS SEEM TO HAVE woken up to the reality that financial inclusion is the need of the hour. Scores of banks are now offering no-frills accounts with no compulsion to maintain a minimum balance to the urban poor, who don't have access to institutional credit, and fall into the clutch of money lenders.

SUBHABRATA DAS

The Chennai-headquartered Indian Bank was the first to make a key move when it opened a branch in Mumbai's Dharavi, Asia's largest slum. Other than state-run banks, even some of the new-age banks such as ICICI Bank, HDFC Bank and Axis Bank have jumped into the fray.

Some of these banks have even roped in government and non-government agencies to home in on the target audience.

*Raghu Mohan*

## Moody's OUTLOOK

**Enhanced outlook**

Moody's Investors Service has raised its outlook on India's largest steelmaker Tata Steel after the latter repaid $3.1 billion of bridge loans for its takeover of UK's Corus Group.

Moody's has maintained its Ba1 rating and raised its outlook to 'stable' from 'negative'. The outlook was cut to 'negative' in last September on concerns about funding the $12.9 billion purchase.

**1.2** billion euros. The debt of the troubled Italian air carrier Alitalia.

SHOP FOR ALMOST ANYTHING WITH YOUR
MAESTRO CARD AND DEBIT MASTERCARD.
IT'S BETTER THAN CASH.

**With the Maestro Card and Debit MasterCard,** you can enjoy the power of cash without having to carry it. Shop for everyday purchases like groceries, clothes, fuel and books among many others with just one swipe. It's safe, convenient, widely accepted and better than cash.

*Accepted wherever your everyday shopping might take you.*

McCann/MCARD/452/07/1

# Fianchetto

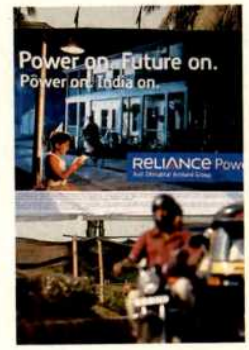
The week's strategic moves and the movers who made them

### Petronet ups stake in Cairn India

Cairn India, the Indian arm of British oil and gas company Cairn Energy, has decided to sell 5.37 per cent stake to Malaysian state oil and gas firm Petroliam Nasional, or Petronas, and Singapore-based Orient Global Tamarind Fund for $625 million. With this, the holding of Petronas in Cairn India will increase from 9.93 per cent to 12.7 per cent, while Orient's stake will be 2.6 per cent. Cairn India will use the new fund infusion to fuel its expansion plans, which include acquisition of exploration blocks in Sri Lanka. The company has already submitted bids for two oil and gas exploration blocks in Sri Lanka's first round of licensing.

### Reliance Power's Indonesian foray

Mumbai-based Reliance Power has acquired a coalmine in Indonesia with a coal reserve of 2 billion tonnes for Rs 1,000 crore. The coal will be used for Reliance's thermal power project in Krishnapatnam, in Andhra Pradesh, which will require about 15 million tonnes of coal every year. Reliance has huge investment plans in the energy sector and needs to ensure fuel supply for its ultra mega power projects, too.




### Pantaloon Retail goes rural

Mumbai-based retail major Pantaloon Retail is picking up a 70 per cent stake in Aadhaar, Godrej Group's rural retail initiative. Aadhaar is currently part of Godrej Agrovet but will be spun off as a new company with the Godrej group holding 30 per cent.

Pantaloon is looking at using the existing retail network of Aaadhaar to expand its retail footprint into the rural markets. Promoted by Kishore Biyani, the group is also likely to use the rural distribution network for selling financial products of Future Capital in rural areas.

### A fair deal

The Singapore government has given a full banking licence to India's largest public sector bank, the State Bank of India (SBI). In return, India has given DBS, the largest bank in Singapore, the nod to set up eight branches in India. SBI will be allowed to accept deposits and open ATMs, though it won't be able to expand its branches in Singapore.

India and Singapore have signed a free trade agreement, but it seems India is giving more than it is getting from Singapore.

DEALTRACKER

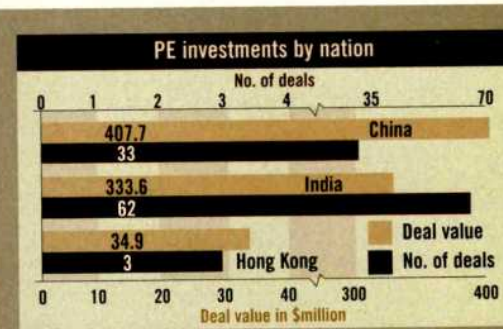
## BW-THOMSON FINANCIAL PE TRACKER

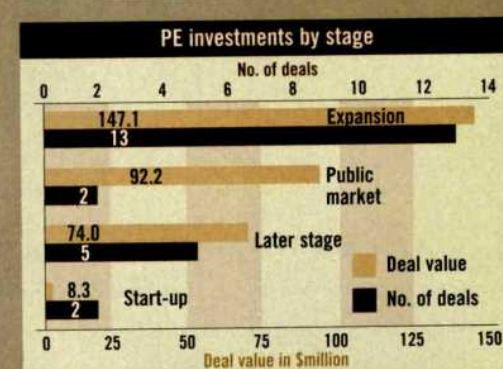
**March** The Asian PE market saw 114 deals worth $804.6 million as on 17 March 2008. China was the largest market in the region with 33 deals worth $407.70 million.

Top 10 India deals

| TARGET | INVESTOR | INVESTOR NATION | DEAL SIZE ($M) |
|---|---|---|---|
| Standard Chartered Asset Management Co. | IDFC Private Equity Co. | India | 205.00 |
| Shriram Group | Goldman, Sachs & Co. | US | 75.80 |
| Universal Power Transformer | Peepul Capital | Mauritius | 15.00 |
| Kinetic Motor Co. | American International Group | US | 6.37 |
| Titagarh Wagons | Blackstone Group | US | 3.87 |
| Servomax India | Mayfield Fund | US | 3.75 |
| Suminter India Organics | Nexus India Capital | US | NA |
| Centrum Capital | Future Capital Holdings | India | NA |
| Lehren Entertainment | Peepul Capital | Mauritius | NA |
| Educational Initiatives | Footprint Ventures, Novak Biddle Venture Partners | India, US | NA |

Figures for 2 March-15 March 2008




Figures for 1 January-17 March 2008

PHOTOGRAPHS: BLOOMBERG

**Coke's Rs 1,000 crore India plans**

Atlanta-based The Coca-Cola Company has committed an investment of $250 million in its India operations over the next three years.

The crucial question is where will this investment go: will Coke buy out its bottlers in India or will it follow arch rival Pepsico and invest in expanding its fruit drink portfolio and food business in India?

**Entertainment deal**

Mumbai-based production house Pritish Nandy Communications (PNC) has struck a Rs 180 crore ($45 million) deal with Hyderbad's DQ Entertainment (DQE), an animation and gaming company listed on the UK's AIM market. The two companies will co-develop and co-produce six animation movies over the next three to four years. Last May, PNC had also signed a five-movie deal with Motion Pixel Corporation (MPC), a Florida-based animation company. PNC seems to be diversifying from television and movie production to animation, a segment largely ignored by Indian production houses but one of the fastest growing segments in the entertainment world globally.

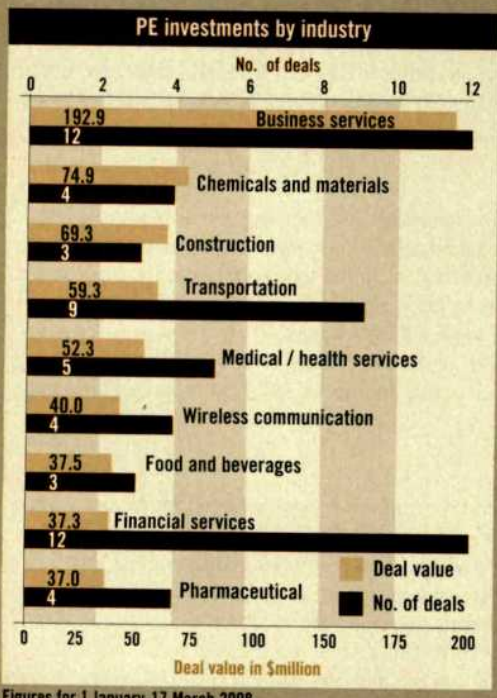
**GE joins Shapoorji Pallonji for water**

GE Water & Process Technologies, a subsidiary of General Electric, has formed a joint venture with Eureka Forbes, a subsidiary of Mumbai-based Shapoorji Pallonji group. The joint venture company, Infinite Water Solutions, will manufacture and sell water purifiers in India. GE has the water purification technology but does not have a countrywide sales network to sell it. Eureka Forbes will bridge the sales network gap for GE.

The two companies are also exploring opportunities to jointly serve customers, especially in segments where Eureka has significant presence, GE said in a release.

**Tech Mahindra bags BT contract**

Pune-based Tech Mahindra has signed a five-year, $350-million outsourcing deal with British Telecom (BT) for application maintenance and support services. Tech Mahindra has been focusing on large deals and as the largest player in the telecom outsourcing player from India, it has been able to bag such deals easily. Tech Mahindra also has a $1 billion outsourcing deal with BT signed in December 2006.




Figures for 1 January-17 March 2008

**Top 10 Asia deals**

| TARGET | TARGET NATION | INVESTOR | INVESTOR NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| ABC Developmental Learning Centres | Australia | Morgan Stanley Private Equity | US | 723.15 |
| Standard Chartered Asset Management Co. | India | IDFC Private Equity Co. | India | 205.00 |
| Shriram Group | India | Goldman, Sachs & Co. | US | 75.80 |
| Tianjin Green BioScience Co. | China | Tsing Capital, Kleiner Perkins Caufield & Byers, Northern Light Venture Capital, DSM Corporate Venturing | China, US, China, Netherlands | 20.00 |
| Shenzhen Hybio Engineering Co. | China | Shenzhen Capital Group Co., SAIF Partners | China, Hong Kong | 15.00 |
| Universal Power Transformer | India | Peepul Capital | Mauritius | 15.00 |
| Babytree.com | China | Matrix Partners | US | 10.00 |
| GAMFE | China | Kleiner Perkins Caufield & Byers | US | 10.00 |
| Kinetic Motor Co. | India | American International Group | US | 6.37 |
| Titagarh Wagons | India | Blackstone Group | US | 3.87 |

Figures for 2 March-15 March 2008

Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list

# Quick Take

# Is banning foreigners from buying land in Indian global centres such as Goa a feasible option?

**We asked...** Rohtas Goel, Chairman and Managing Director, Omaxe; Ganesh Raj, National Leader, Real Estate Practice, Ernst & Young; Niranjan Hiranandani, Co-founder and Managing Director, Hiranandani Group; Pritam Chivukula, National Director, Colliers International; Sushant Nadkarni, Former Advocate General of Goa; Sunil Sardesai, practising architect in Goa; Tuhin Abhyankar, Analyst, Accenture, Australia; Jai Manvani, Ex-director, KPMG India; Remiz Cardoz, builder in Goa; Fitz D'silva, largest property holder in Goa; Bappaditya Basu, Associate Director, Retail Practice, Jones Lang LaSalle

"Such restrictions help in preventing the land becoming unaffordable to the locals."

**Niranjan Hiranandani, Co-founder and Managing Director, Hiranandani Group**

"The police should be made more responsible and the laws stricter instead of imposing a ban."

**Rohtas Goel, Chairman and Managing Director, Omaxe**

"There are ways by which people are still buying property, which does not get accounted for."

**Ganesh Raj, National Leader, Real Estate Practice, Ernst & Young**

## Yes 45%

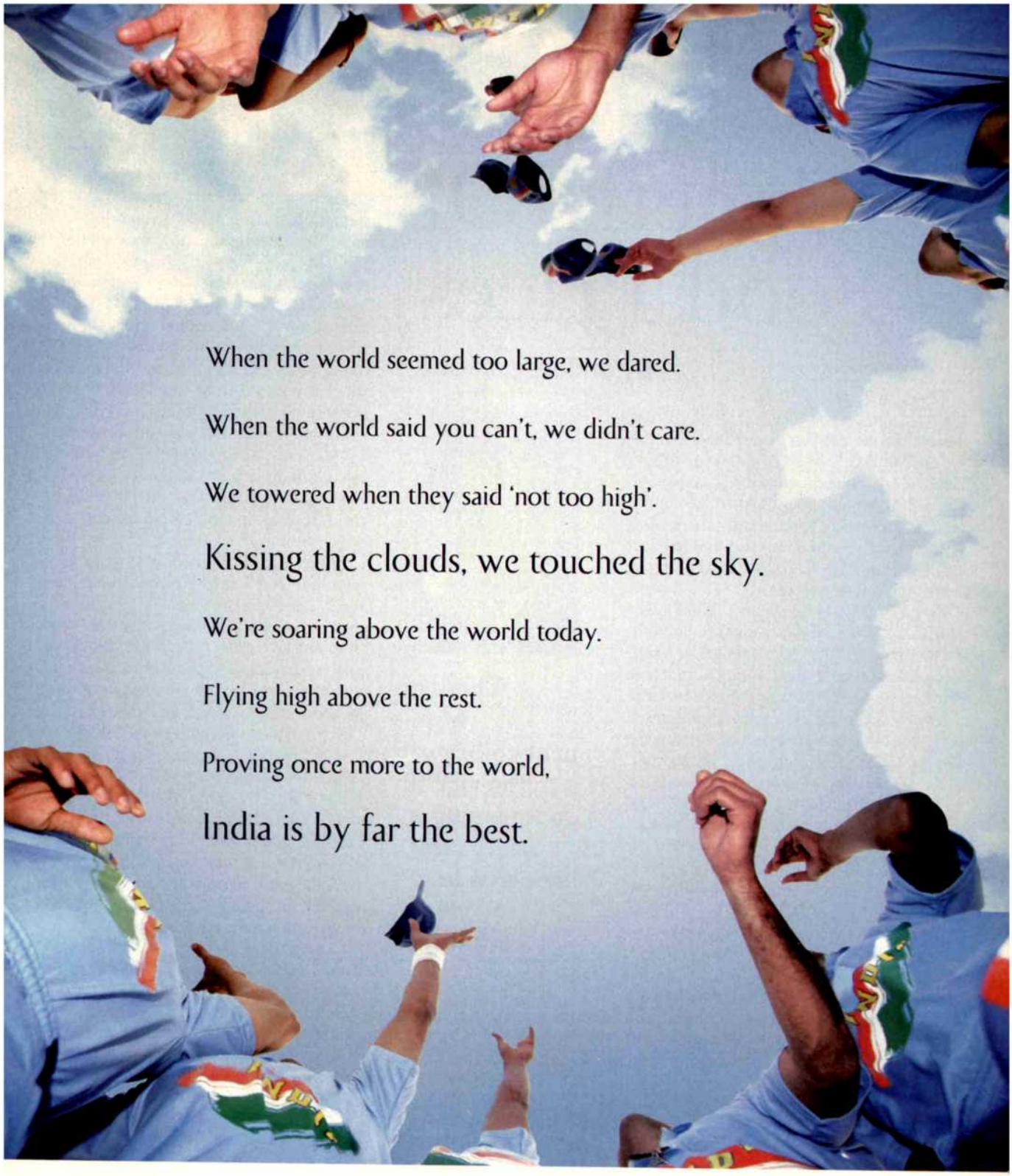
**YES BECAUSE:** Recently, in an attempt to curtail illegal operations of the foreign land mafia and drug cartels in Goa, the government banned foreigners from buying land there. This raises a fundamental policy question — does a blanket ban offer a long-term solution? Some of our respondents were of the view that it does. Their arguments were mostly based on the increasing level of illegal activities, such as drug trafficking, in Goa. Also, it is a common practice the world over, and shouldn't be a cause for concern, especially if it is to control any social abuse or security. They felt that the earlier law, under which any one who has been staying in Goa for more than 180 days could buy land there, needed to be changed since the credibility of a foreigner buying land cannot be judged in such a short time span.

## No 36%

**NO BECAUSE:** On the flip-side, some of our respondents felt that the government needs to consider the several other implications that this ban is bound to have. They were of the view that such a blanket ban is not a feasible option and would only affect tourism in the long run. Certainly, there is a need for more stringent laws regarding purchase of land by foreigners, but a ban means that even harmless tourists are not allowed to buy holiday homes in Goa if they want to. This could be a serious setback to the tourism industry in the long run. Moreover, instead of putting a ban on sale of land to foreigners, it would make much more if the local administrative and police forces were more vigilant in keeping a check on the local situation.

## Can't say 19%

**CAN'T SAY BECAUSE:** Considering that the statement has just been made and no one has a clear understanding of what the ban really entails, some respondents felt that it is not justified to cry foul over the ban just yet. Also, there was a view brought up that the government is not so much changing the law as it is emphasising it. And that if there were any land sales to foreigners taking place till now, it was only a law abuse. Whatever the government's decision may be, it should ensure that it does not lead to the creation of an asset bubble, which could put a strain on the economy. Individual foreign investments have caused market crashes in countries such as the US and Spain, whereas India has only benefited from them. But it might not always be so.




**Congratulations Team India. Our story is much like yours.**

Quite like your resilience and recent string of victories in Australia, our ever expanding global network has established our presence worldwide and our exceptional service has won hearts everywhere. Much like you, we are proud to take India higher and higher every day. Together, let's keep it soaring.

JET AIRWAYS

# Spectre Of Food Prices

**by omkar goswami**

**There's high probability of the world witnessing a fairly long cycle of food price inflation**

EVERYONE HATES NAYSAYERS. CONSIDER THOMAS Robert Malthus. When he published An Essay on The Principle of Population with its scenario of long-term food scarcity — unchecked population growing in geometric progression while food supply increasing arithmetically — Malthus was reviled as a hard-hearted prophet of doom and an enemy of the working class.

Fast forward 170-odd years to the Club of Rome's 1972 best-seller, Limits to Growth, which modelled the consequences of a rapidly growing world population facing finite resource supplies. It was lambasted as "a piece of irresponsible nonsense", and repeatedly pooh-poohed by magazines, such as *The Economist*, as meaningless fear mongering. Indeed, until a few years ago, *The Economist* took the lead in treating global warming as unsubstantiated blather of bleeding-heart greenies.

Without being Malthusian, here's a sobering hypothesis: "With high probability, the world will witness a fairly long cycle of food price inflation. There could be peaks and troughs; but prices will be trending up, with more rather than less inflation."

Before explaining why, here are some facts from the World Bank. Between August 2007 and February 2008, low and middle income countries have seen:

- 28 per cent increase in the weighted price of all agricultural products
- 38 per cent increase in the price of food
- 49 per cent increase in the price of fats and oils
- 51 per cent increase in the price of grain.

Over the same period, global price of coconut oil has risen by 54 per cent; groundnut oil by 42 per cent; soybean oil by 57 per cent; maize by 47 per cent; rice by 42 per cent; US wheat by 71 per cent; bananas by 55 per cent; and sugar by 38 per cent. The list is long.

Is this the beginning of a longer trend? While the sheer extent of the current food price inflation may be high, the trend is clearly one of hardening prices. There are good reasons why this is so, and why we can expect it to persist.

First, substantial growth in per capita income over the last 15 years, especially in China and India, as well as other sizeable low-to-middle income countries, has led to growing demand for food. Moreover, rising incomes have led to disproportionate increase in demand for 'better' food — what economists call food 'luxuries' rather than 'necessities'. For instance, the Chinese spend more on sweets (cold drinks, confectionery) than before; they have also started consuming wheat in the form of bread and cakes; and their consumption of meat has gone up substantially. In 1993, only the top 15 per cent of India's rural population spent more on milk, fruit, vegetables, eggs, fish and meat than on cereals and pulses. In 2004, this had risen to over 30 per cent.

In the case of China, rapidly growing demand for food 'luxuries' has translated to severely hardening prices. The price of foodstuff in January 2008 was 23 per cent higher than a year earlier. The price of meat and poultry surged by 45 per cent, of which pork rose by 63 per cent; that of vegetables rose by 46 per cent; and oil and fat by 41 per cent.

Second, like it or not, agricultural productivity takes time to increase. In agriculturally advanced countries it can take up to a decade. In north India, where ground water was depleted alarmingly and the soil is leached, it will take longer. Till yields increase, the only way to raise global agricultural output is to grow the area under cultivation. To be sure, area under crops vary according to relative price movements. However, there are severe constraints to the total cultivable area — the more so if one takes long-term environmental and forestation needs into account. Ask yourself this question: Where will the extra grain come from to feed more of the pigs that meet the burgeoning demand for Chinese pork? Hence, expect to see general conditions of excess demand.

Third, policy distortions have hurt supplies. Consider the subsidy-driven fetish for alternate bio-fuels, which is diverting sugarcane and maize to ethanol production. The more this happens, the less will be the available area under food.

Higher per capita incomes; greater demand for food; lower acceleration of agricultural productivity; limitations to cultivable area; and food-diverting subsidies. Why shouldn't you expect hardening food prices in the future? Now think of its political consequences. That's giving Dr. Singh and Mr. Chidambaram the heebie-jeebies.

---

The author is chairman of CERG Advisory.
*omkar.goswami@cergindia.com*

# TIMES CHANGE.
# OUR VALUES DON'T.

Smart Card [Rural Banking]

Core Banking Enabled Corporate Services

SMS Banking & Pay-by-Mobile Service

## Corporation Bank wins
## Three Banking Technology Awards 2007*.

**Technology at the service of our customers.**

*IBA & TFCI

www.corpbank.in

कार्पोरेशन बैंक Corporation Bank

# Limited Banking

**by Raghu Mohan**

AMIT VERMA

**RBI's special treatment to Amex could set a bad precedent**

THERE IS A NEW BANKING LICENCE IN TOWN. IT'S called a 'limited banking licence'. In a first of its kind move, the Reserve Bank of India (RBI) has issued such a licence to American Express Company (AmEx), which will enable AmEx to carry on with its cards business in the country despite having sold American Express Bank to Standard Chartered Bank (StanChart) for $860 million last year. Under current RBI guidelines, only banks can issue plastic, be it credit or charge. Non-bank finance companies (NBFCs) can only issue co-branded cards with banks. The central bank allowed this in December 2006 so that NBFCs could widen their business footprint. Now, with AmEx, things have taken a new twist.

AmEx will continue with its cards business through its 100 per cent subsidiary, American Express Banking Corporation (AEBC). AmEx's Consumer Card, Global Commercial Card, Merchant Services International, and travellers' cheques businesses will be run under the umbrella of AEBC India. AmEx also has co-branded consumer and corporate cards with Kingfisher Airlines.

The RBI has made an exception for AmEx after having initially indicated that the company cannot issue cards following the sale to StanChart. An RBI official in Mumbai while confirming the development explained that it should be seen in the context of the fact that had it not accommodated AmEx, scores of cardholders would have been inconvenienced. "We have accommodated AmEx in the light of current regulations so that the merger with StanChart can go ahead," he says.

AmEx does not give out numbers, but sources indicate that there are about 500,000 AmEx card holders in India. The company has been in the country for over a century and has a lot at stake in the sub-continent. AmEx's country manager for India, Rob Hennin, said that "over the years, we have invested heavily in strengthening our presence and our offerings to realise the opportunities presented by the fast growing Indian market."

## RBI And Foreign Banks

As on date, India issues a universal banking licence, and a bank after having received the central bank's go-ahead is free to offer all kinds of services, be it in retail or corporate banking. This is not the case with many countries where there are different kinds of banking licences. There is also the issue of reciprocity. ICICI Bank and State Bank of India (SBI) had to wait for years to get the regulatory approval to start operations in the US and Singapore.

During 2003 to October 2007, India granted 19 authorisations to US-based banks, most of which stand utilised. "However, during the same period, the US did not authorise any office of the Indian banks in US territory vis-à-vis the requests from the Indian banks for setting up three branches, two subsidiaries and nine representative offices. Some of the requests have been pending with the US authorities for more than five years," said RBI's Deputy Governor V. Leeladhar last December defending its stance on operational freedoms for foreign banks . The RBI has, thus, been considerate towards AmEx, a huge Yankee financial services brand.

## Setting A Precedent?

The larger issue is that it now remains to be seen how the RBI will now handle the clamour from numerous non-bank players that have huge retail ambitions — such as, the Future

**PRIVILEGED CLASS:** No need for AmEx's 500,000 card holder's in India to worry

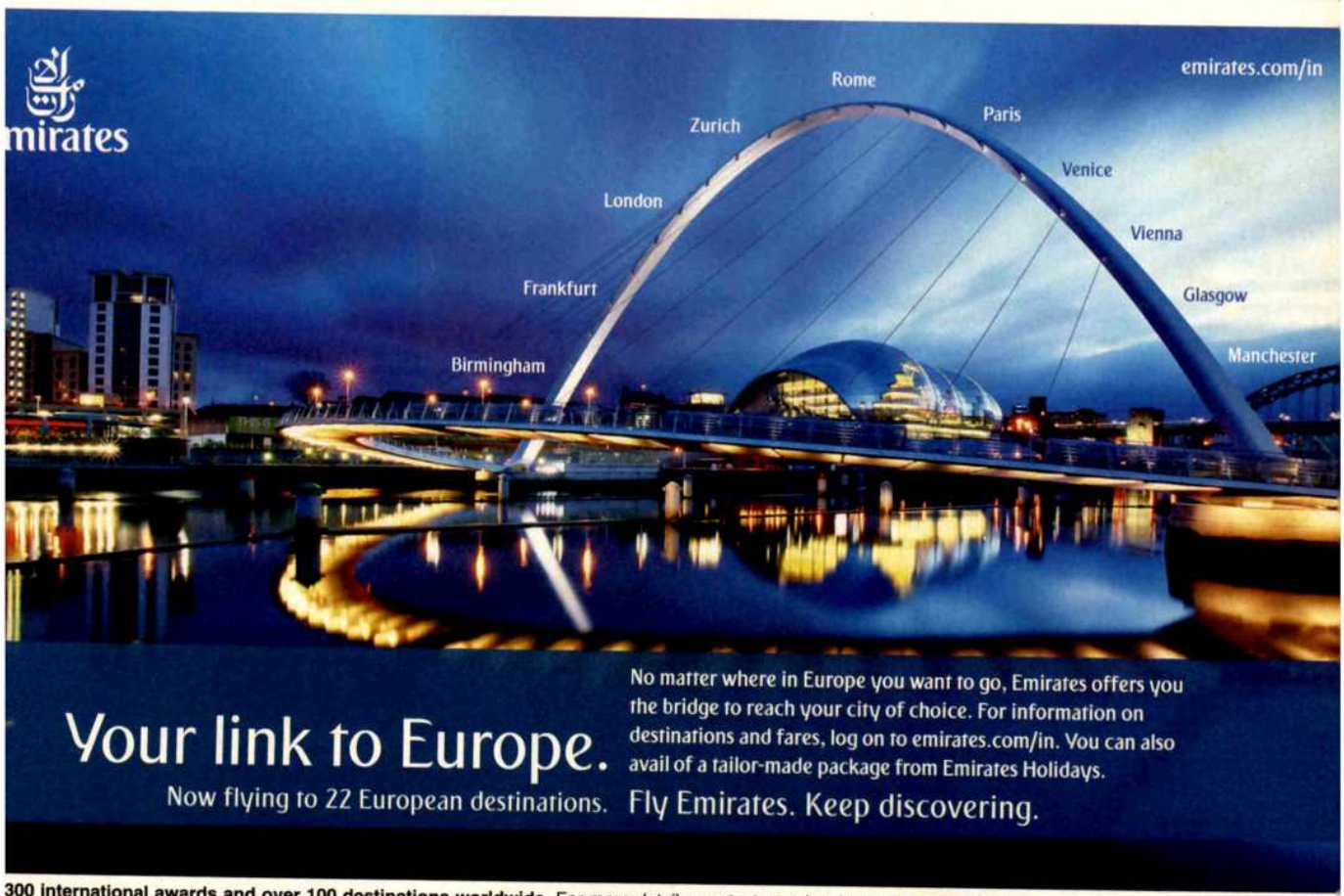
Group, Reliance Industries, and the Mittal-Wal-Mart combine. Future Capital Holdings (FCH) has promoted an integrated retail financial distribution company, Money Bazaar. This is to be set up within the portals of Future Group outlets and will hawk credit cards, personal loans, mortgages and consumer loans.

Sanjay Kapoor, president of mobile services at Bharti Airtel, gives a guarded reply when queried on his company's ambitions: "We have no plans to get into banking operations as of now for our m-commerce applications," he says. "We are looking to build a robust ecosystem through our partner banks to take the initiatives forward in the m-commerce arena, which we think, hold huge potential for future growth." When asked specifically on the AmEx model, he says, "If it is indeed true, then yes, we would be interested."

The AEBC model shows that banks can be forgotten while issuing cards. As on date, cards issued by banks or the co-branded version are either on Visa International's or MasterCard International's payment loops. For instance, the Reliance Anil Ambani group has launched a co-branded card with Citibank that is on the Visa network. But there is also a white label card between SBI and Tatas. (In a white label card, the logo of the issuer does not feature on it. Marketers rebrand the original to make it look their own. The origin of the white label can be traced back to vinyl records when DJs would remove the label from a popular record so other DJs would not be able to know who made the track!) The Tata credit card, which has been launched by SBI Cards — a JV between SBI and GE Capital Services that was set up in 1998 — is an indicator that given a chance, companies will not share space with a bank.

Piyush Khaitan, managing director of Venture Infotek, a transaction processing company, feels that the RBI issued a limited banking licence to the AmEx Group because it had a bank and has been a card issuer for long. "The issue before the RBI will now be how it treats non-bank players, such as Life Insurance Corporation, which has inked a deal to create a credit card company with GE Money (India), Corporation Bank, LIC Housing Finance and LIC Mutual Fund." With AmEx, the RBI has perhaps given an indication of things to come. Non-banks can cheer.

*raghu.mohan@abp.in*




**300 international awards and over 100 destinations worldwide.** For more details, contact your local travel agent or 24-hour contact centre of Emirates in Mumbai: 4097 4097, Delhi: 6631 4444, Kolkata: 4009 9555, Chennai: 6683 4444, Hyderabad: 6623 4444, Bangalore: 6629 4444

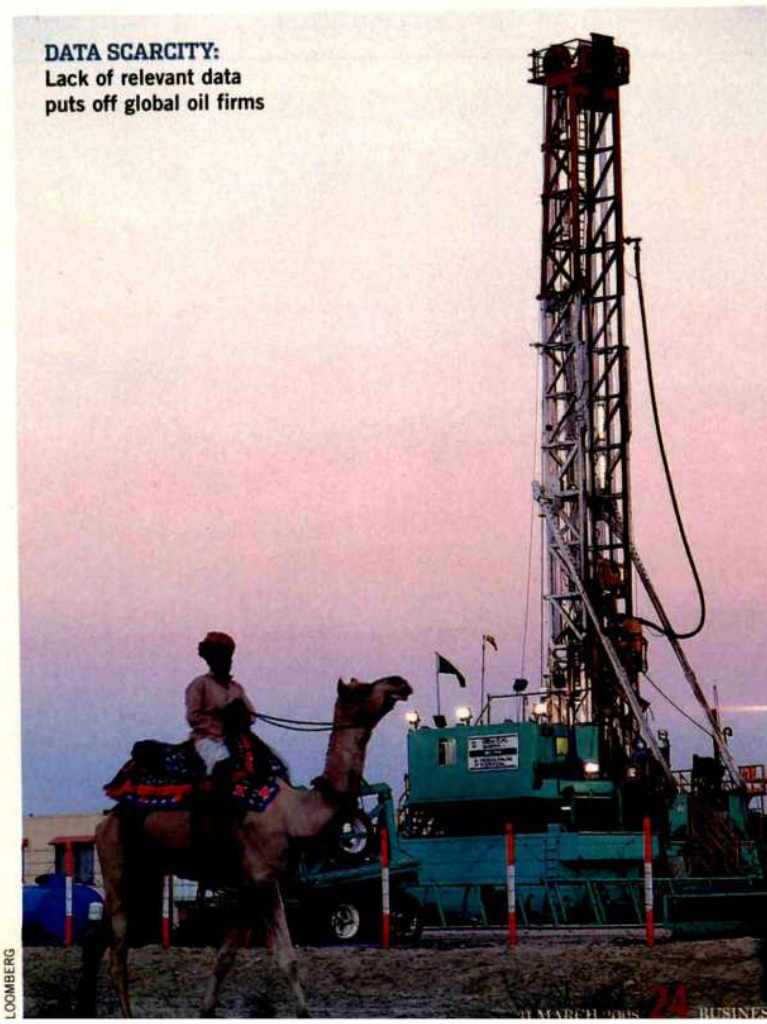
# Off The Blocks

**by M. Rajendran**

**Global majors might skip this year's bidding, as in the past**

INDIA HAS HAD A CHEQUERED HISTORY OF attracting world majors to explore oil and gas in the country. Six New Exploration Licensing Policies (NELPs) have gone by. The government is preparing to announce the seventh next month. The question on everybody's mind is: Will NELP VII see a change of heart among world majors such as Exxon-Mobil, Shell and Chevron that have stayed away from bids so far?

Incidentally, this round is crucial from the bidders' point of view because it will exhaust pretty much all the blocks on the West coast. The East coast has already been awarded. That would leave a majority of on-land and a bit of shallow water exploration blocks available for bids. India has so far awarded 162 blocks totalling 2.15 million sq. km of its 3.14 million sq. km sedimentary area for exploration.



**DATA SCARCITY:** Lack of relevant data puts off global oil firms

LOOMBERG

Though the Directorate General of Hydrocarbons (DGH) is confident of attracting big names in NELP VII, the industry isn't so sure. The exploration and production business is beset with a high degree of risk — risk of not finding commercially exploitable hydrocarbon reserves. "Countries such as India with a relatively poor record of hydrocarbon prospectivity and scanty geological data come low on the investment preference of the 'biggies'," says Deepak Mahurkar, associate director of PricewaterhouseCoopers.

By all accounts, global majors have also stayed away due to scarce geological data provided on the blocks. "True, we have limited data," says V.K. Sibal, director general of hydrocarbons. "Geo science is an inexact science, it is evolving, but then exploration and production is a high-risk, high-return game."

Mahurkar, however, points out that though US companies have not bid in big numbers, Europeans have. "It's a myth that India has not attracted big companies," says Sibal. The number of bids from foreign players is evident from the numbers. NELP VI saw 17 countries and 36 companies participating in it, including big names such as British Gas and Cairn Energy (which has successfully found oil in Rajasthan) from the UK, Santos from Australia, Sabre Energy from Canada, Petronas from Malaysia and Total from France.

The road shows planned in Singapore on 29 March and in Perth on 30-31 March will be an indication of the change, if any. For the first time, the government is offering small blocks in this round. But companies say that the proposal to offer small blocks would certainly attract many foreign players, but not the big ones. Sources in the Ministry of Petroleum and Natural Gas say there will be more changes. They are being fine-tuned, which is one of the reasons why the launch date has been delayed from 11 April to 25 April.

Relinquishment can be mandatory as per policy or voluntary. Many a time, companies relinquish a block without having conducted proper tests and may even be willing to bid for it again in subsequent rounds.

The government has been worried about aggressive bids — which are difficult to justify with known geology of the block — by domestic companies. Sibal, however, says that domestic companies will bid aggressively. It is only natural, since oil is also a product, no one would al-

low a foreign player to take away part of the 3-4 per cent market share held by them, he says, adding, "The ability of foreign players to take risk is very low." Further, oil fields have a life of 40-45 years with reserves of 20-30 per cent, but returns even after that do not dry out suddenly.

A spokesperson of a global energy major says, "An open acreage system is the only solution." Open acreage allows companies the flexibility to select blocks of their interest from the available acreages. Further, companies can bid for the blocks round the year. The open acreage system is adopted to significantly increase the pace of oil and gas exploration activity in a country. This ensures that bidders are not tied down to a few months, like in India between March-June, when NELPs are announced.

Analysts say Indian acreages come in headlong conflict with other global opportunities (in Alaska, Venezuela and South Africa) at a specific point of time. "We do not know what India's reserves are," says an executive of an international oil major. The DGH says the prognosticated resources are 205 billion barrels from just 15 basins. The reserves in place since 1947 till 1 April 2007 are 66 billion barrels. So the gap of 139 billion barrels is an opportunity.

The success of NELP VII is critical for the government. The industry had loosely termed its predecessor NELP VI as the "round of re-cycled and relinquished blocks" because as many as 18 fields were not bid for in NELP V and were again being put up for bids in NELP VI (blocks previously put on offer and not bid by any company, when re-offered in subsequent rounds — with or without additional data — are termed as re-cycled blocks). However, with 52 of the 55 blocks offered in NELP VI taken up, it proved to be one of the most successful auctions ever. The three remaining blocks will be offered in NELP VII.

If NELP VI was any indication of how the bids are expected to come, just the minimum work programme investments from the 57 NELP VII blocks is expected to be above $7 billion. India has managed to establish reserves in only 15 of its 26 sedimentary basins. In order to bring new acreages under active exploration, the government would need to undertake extensive data acquisition activities in the relatively unexplored sedimentary basins of the country.

*m.rajendran@abp.in*

**international awards and over 100 destinations worldwide.** For more details, contact your local travel agent or 24-hour contact centre of Emirates in Mumbai: 4097 4097, Delhi: 6631 4444, Kolkata: 4009 9555, Chennai: 6683 4444, Hyderabad: 6623 4444, Bangalore: 6629 4444, Kochi: 408 4444, Thiruvananthapuram: 408 4444

AP

# In Troubled Waters

**by Vishal Krishna**

**DGS needs to regulate shipping lines and agents that hire sailors**

TWO INCIDENTS HAVE SENT INDIA'S SHIPPING industry into a tizzy. First, Indian workers were subject to inhumane living conditions and treated like slaves in a shipyard at Pascagoula, Mississippi. Second, a ship carrying 25 Indian sailors disappeared in the Black Sea last month. The ship workers' unions are now questioning the Directorate General of Shipping (DGS) about regulating the agencies that contract work for sailor's abroad. "The problem is that recruiting agents have not been subject to regulation," says S.R. Kulkarni, president of the All India Dock and Port Workers Association (AIDPWA) in Mumbai. "These are fly-by-night operators who promise seamen good work abroad and con many young sailors."

As you walk into the Bombay Marine Club, many a sailor pours his heart out while talking about the woes of working in a foreign ship or port. "Most foreign ships are registered with the International Transport Workers Federation (ITF)," says Pravin Sharma, a former sailor and member of the Club. "Sailors have no problems on these ships. But it is those that are not registered with the ITF that can be an occupational mess." Many of these non ITF registered ships are at least 25 years old and are of substandard quality. "Such ships are over loaded with cargo," says Kulkarni. "This is one of the reasons why we see some ships sinking off the coast. The DGS has to keep these ships away from port."

**WRECKAGE VALUE:** Most un-registered ships are more than 25 years old

While Sharma warns younger sailors to watch out for the ITF tag before signing up for work, he also says that one must take the help of the Shipping Master at the port if one is not confident about the credentials of a shipping firm. "All sailors sign an article with the Shipping Master to be part of a port in India," he says.

However, the conundrum is more in the economics than in the system. Indian sailors are subject to work on foreign ships because the tonnage carried on Indian ships is very small. Therefore, employment opportunities are more on foreign ships. The global shortage of talent in the shipping industry was another driving factor for Indian seafarers to be on the deck of foreign ships. "Sailors aspire to work in such ships since they also get paid a lot," says Sharma. For example, on average, a steward working with a foreign ship gets paid $800 (Rs 32,000) per month, compared to a lowly Rs 15,000 per month on an Indian ship.

Shipping companies that spoke to *BW* say that Indian workers can be better protected if the DGS monitored shipping lines and the agents that they worked with while employing sailors. "The government needs to regulate these agents," says a source from the industry. "But at the moment they are busy meddling with appointments of heads in different ports." Officials of the DGS were not available for comment. However, the shipping industry considers the Mississippi case to be uncommon, since sailors had good support of unions and the ITF. But they agree that substandard and ships not registered with ITF had to be under the eye of the DGS at all costs. "It is necessary that the DGS helps sailors know about a ship or company before one signs contracts," says Sharma.

Now, as the Indian Embassy investigates the plight of the Indian seafarers in Mississippi, the fate of the 25 missing sailors, who were on board a Panama vessel, remains uncertain.

The families of the 25 missing sailors have sought the help of the CBI and Interpol to investigate the disappearance of the ship. Word has it that the ship was sea-jacked when its communications went off. The families have blamed the contracting firm, Pelican Marine, for not providing any answers about the ship and its sailors.

*vishal.krishna@abp.in*

# THE MUTUAL FUND HOUSE OF THE YEAR

At Birla Sun Life Mutual Fund we are committed to consistently providing superior returns to our investors. A commitment that has won us recognition and awards from ICRA, LIPPER and CNBC TV18-CRISIL and also the trust of over 16 lakh investors. Today, we are one of the fastest growing mutual fund companies of India, with domestic assets under management in excess of Rs. 36,000 crores as on 29th February, 2008. As we humbly thank our investors and partners for the recently won "Mutual Fund of the Year" award, we look forward to continuing this journey towards a richer tomorrow. Together.

Birla Sun Life
*Mutual Fund*

**Past performance may or may not be sustained in the future.**

**SMS GAIN to 56767**

**rd Methodology, Disclaimer & Statutory: Award:CNBC TV18 - CRISIL Mutual Fund of the Year Award for 2007.** Birla Sun Life Mutual Fund, Category – Mutual Fund of the Year, out of 26 fund houses. Fund Houses ing at least two awards for their schemes in the category level awards for 2007 were considered for the award based on consistency of fund house's performance across various scheme categories in the four quarterly SIL CPR rankings released during the calendar year 2007. The individual CRISIL CPR ranks for their schemes were aggregated on a weighted average basis to arrive at the final ranks for fund houses. Birla Sun Life tline Equity Scheme was among the 2 schemes that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category- Large Cap Oriented Equity Funds. In total 22 schemes were eligible for the award rse. Birla MIP was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category- Monthly Income Plans (Conservative). In total 9 schemes were eligible for the award universe. Sun Life Short Term Fund was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category of Income Short Term Funds. In total 12 Schemes were eligible for the award universe. Sun Life Income Fund was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category of Income Funds. In total 17 Schemes were eligible for the award universe. Schemes ent in all four quarter CRISIL CPRs were considered for the award. The award is based on consistency of scheme's performance in the four quarterly CRISIL CPR rankings released during the calendar year 2007. The idual CRISIL CPR parameter scores averaged for the four quarters were further multiplied by the parameter weight as per the CRISIL CPR methodology to arrive at the final scores. Birla Infrastructure Fund was the only me that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the category- Emerging Equity Fund of the Year. In total 14 schemes were eligible for the award universe. Open ended equity schemes having a o two year track record as on December 31, 2007 and fulfilling CRISIL's eligibility criteria on disclosure were considered for the award. The award is based on the scheme's performance using the analytical approach e CRISIL CPR rankings having the analysis period as the year 2007. A detailed methodology of the CRISIL CPR is available at www.crisil.com. Ranking & Award Source: CRISIL Fund Services, CRISIL Ltd. Past rmance is no guarantee of future results. **ICRA Award:** Birla Income Plus (Category- Debt- Schemes –Long Term), 7- Star indicates- Best performance amongst the 5-Star Funds. 1 year Performance for the period g December 31, 2007. Birla Sun Life Short Term Fund (Growth)- (Category- Liquid Plus Schemes), 7- Star indicates- Best performance amongst the 5-Star Funds. 1 year Performance for the period ending December 007. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, sector concentration, portfolio turnover, liquidity, company concentration and age maturity. The ranking methodology did not take into account entry and exit loads imposed by the scheme. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Birla Life Mutual Fund or its Schemes. Ranking source and publisher: ICRA Online. **Lipper Awards 2008:** Methodology: Birla Sun Life Income Fund –Growth: Best Fund –Bond Indian Rupee –General for 3 year performance d ended on December 31, 2007 out of 100 funds and Best Fund –Bond Indian Rupee –General for 10 year performance period ended on December 31, 2007, out of 35 funds. Birla Sun Life Income Fund –Bond Indian Rupee –Government for 5 year performance period ended on December 31, 2007, out of 10 funds. Birla Sun Life '95 Fund: Best Fund- Mixed Assets Aggressive- General for 10 year performance period d on December 31, 2007, out of 6 funds. Entry / Exit load not considered. Past performance is no guarantee of future results. Ranking source: Lipper –A Reuter Company. **Statutory Details:** Constitution: Birla Sun Life al Fund has been set up as a Trust under the Indian Trust Act, 1882. Sponsors: Aditya Birla Nuvo Limited and Sun Life (India) AMC Investments Inc. (liability restricted to seed corpus of Rs. 1 Lac). Trustee: Birla Sun Trustee Company Pvt. Ltd. Investment Manager: Birla Sun Life Asset Management Company Ltd. **Scheme Name, Nature & Objective: Birla Sun Life Frontline Equity Fund** (an Open- end growth scheme) with an ctive of long term growth of capital, through a portfolio with a target allocation of 100% equity by aiming at being as diversified across various industries and or sectors as its chosen benchmark index, BSE 200. **Birla Sun Monthly Income** (an Open-end income scheme) with an objective to generate regular income so as to make monthly and quarterly distribution to unit holders with the secondary objective being growth of capital. Monthly ne is not assured and is subject to availability of distributable surplus. **Birla Sun Life Short Term Fund** (an Open-end short term income scheme) with an objective to generate income and capital appreciation by ting 100% of the corpus in a diversified portfolio of debt and money market securities with relatively low levels of interest rate risk. **Birla Sun Life Income Fund** (an Open-end income scheme) with an objective to rate income and capital appreciation by investing 100% of the corpus in a diversified portfolio of debt and money market securities. **Birla Infrastructure Fund** (an Open-end growth scheme) with an objective of providing edium to long-term capital appreciation by investing predominantly in a diversified portfolio of equity and equity related securities of companies that are participating in the growth and development of infrastructure in . **Birla Income Plus** (an Open-end income scheme) with an objective to generate consistent income through superior yields on its investments at moderate levels of risk through a diversified investment approach. **Birla Plus** (an Open-end Government Securities scheme) with an objective to generate income and capital appreciation through investments exclusively in Government Securities. **Birla Sun Life '95 Fund** (an Open-end nced scheme) with an objective of long term growth of capital and current income, through a portfolio of equity and fixed income securities. **Risk Factors:** Mutual Funds and securities investments are subject to market and there can be no assurance or guarantee that the objectives of the Scheme will be achieved. As with any investment in securities, the NAV of the Units issued under the Scheme may go up or down depending on arious factors and forces affecting capital markets and money markets. Past performance of the Sponsors / Investment Manager / Mutual Fund does not indicate the future performance of the Scheme and may not ssarily provide a basis of comparison with other investments. The names of the Schemes do not, in any manner, indicate either the quality of the Scheme or its future prospects or returns. Unitholders in the Scheme are

BLOOMBERG

# Saving The Bear

**by Srikanth Srinivas in Washington DC & Uttara Choudhary in New York**

**The bailout package points to US Fed's systemic failure**

HERE IS AN ODD FACT: WHILE THE FIRE SALE OF Bear Stearns, the fifth largest investment bank in the US — orchestrated by the US Federal Reserve over the weekend — to JPMorgan Chase was at $2 a share or just over $236 million, Bear Stearns' stock closed at nearly $7 a share on 18 March. The company continues to operate, but is selling for a song. What happened to the $80 book value of the stock? What about its people and operations?

The US Federal Reserve not only gave the green light to the all-stock buy-out, but made it virtually risk-free for JPMorgan by guaranteeing up to $30 billion of the troubled subprime mortgage and other assets that got Bear Stearns into an almighty mess in the first place.

The terms of the sale contain other unusual features. For one, JPMorgan retains the option to purchase Bear's valuable Madison Avenue headquarters in Manhattan, even if Bear's board recommends a rival offer. Even if there are more problems hidden deep in Bear's balance sheet that JPMorgan has not unearthed yet in its record 72-hour due diligence, the returns on the deal are still likely to be high because of the $236-million bargain-basement price — just one-fifteenth of Bear's $3.54 billion market value on 14 March, three days before the sale on 17 March.

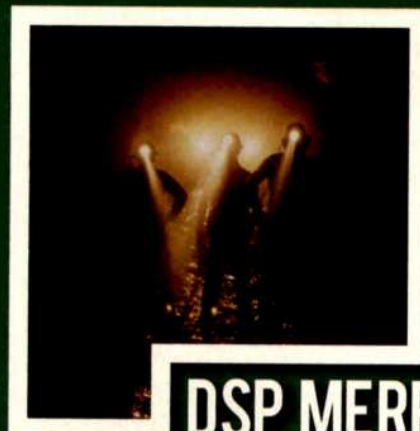
"During a crisis of confidence, earnings, book value and liquidity don't matter much," Prashant Bhatia, an analyst at Citigroup, wrote in a note to investors. "Clients and counterparties vote with their money, and if confidence breaks down, rapid deterioration will likely follow."

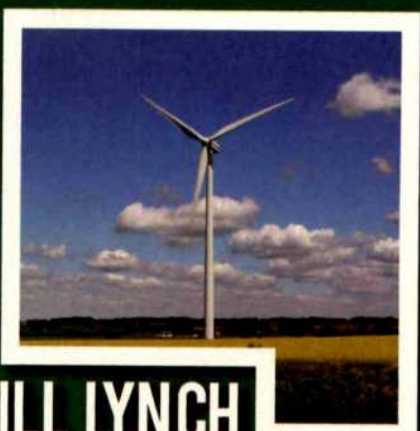
**FIRE SALE:** Bear Stearns (right) has gone to JPMorgan Chase (left) in an all-stock buy-out at bargain-basement price

## How It All Went Down

There are several stunning things about the buy-out. First, how could a stock traded at nearly $30 a share be sold at just $2 a share with just a weekend separating the two? Second, was this a bailout, or a fire sale type liquidation and 'takeunder', as one analyst called it? Third, has the Fed gone too far, and created moral hazard — the risk that financial institutions will go all out and take on enormous risks knowing the Fed will bail them out — across the US financial system? Why not let Bear Stearns just go bankrupt? Profit, after all, is reward for risk, and if a company fails, why should a government rescue it? And that, too, with taxpayers' money? Given that companies don't share profits with taxpayers, it appears immoral for taxpayers to bear the burden of losses. Then, there's also the matter of limited liability. Since no shareholder loses more than one's holding in a sunk company, a government's bid to rescue a

NFO Closes:
27th March 2008





# DSP MERRILL LYNCH
# NATURAL RESOURCES AND NEW ENERGY FUND

## HARNESS THE FUTURE

GET ACCESS TO INTERNATIONAL EQUITIES

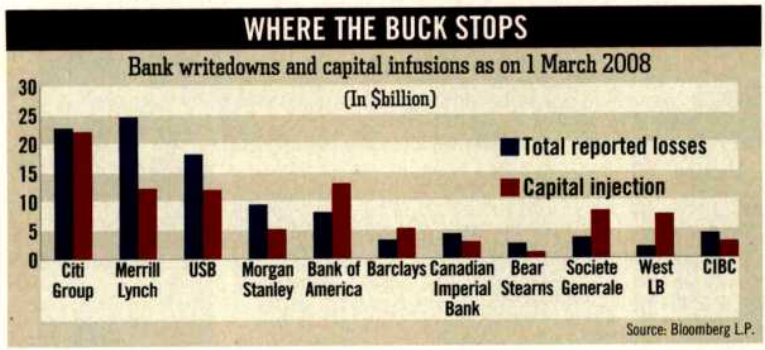
Sms NRNE to 567672855

Visit www.dspmlmutualfund.com

DSP Merrill Lynch
MUTUAL FUND

**Investment Objective:** The primary investment objective of the Scheme is to seek to generate capital appreciation and provide long term growth opportunities by investing in equity and equity related securities of companies domiciled in India whose predominant economic activity is in the (a) discovery, development, production, or distribution of natural resources, viz., energy, mining etc; (b) alternative energy and energy technology sectors, with emphasis given to renewable energy, automotive and on-site power generation, energy storage and enabling energy technologies. The Scheme will also invest a certain portion of its corpus in the equity and equity related securities of companies domiciled overseas, which are principally engaged in the discovery, development, production or distribution of natural resources and alternative energy and/or the units/shares of Merrill Lynch International Investment Funds – New Energy Fund, Merrill Lynch International Investment Funds – World Energy Fund and similar other overseas mutual fund schemes. The secondary objective is to generate consistent returns by investing in debt and money market securities. **Asset Allocation:** 1. Equity and Equity related Securities of companies domiciled in India, and principally engaged in the discovery, development, production or distribution of Natural Resources and Alternative Energy: 65% - 100%; 2. (a) Equity and Equity related Securities of companies domiciled overseas, and principally engaged in the discovery, development, production or distribution of Natural Resources and Alternative Energy (b) Units/Shares of (i) Merrill Lynch International Investment Funds – New Energy Fund (ii) Merrill Lynch International Investment Funds – World Energy Fund and (iii) Similar other overseas mutual fund schemes: 0% - 35%; 3. Debt and Money Market Securities: 0% - 20%. **Terms of Issue:** Rs. 10/- per Unit plus applicable Entry Load (During NFO). Minimum investment - Regular Plan: Rs. 5,000/- and multiples of Re 1/- thereafter, Institutional Plan: Rs 5 crore and multiples of Re 1/- thereafter. Load Structure and Expenses: Entry Load (Regular Plan): 2.25% (For Regular investments <Rs 5 crore during NFO and Continuous Offer); NIL (For Regular investments >= 5 crore during NFO and Continuous Offer); 1% (For SIP investments during Continuous Offer); Entry Load (Institutional Plan): NIL (During NFO and Continuous Offer). Exit Load - Regular Plan: For Holding period < 6 months: 1.00 %; Holding period >= 6months but < 12 months: 0.50%; Holding Period >= 12 months: Nil; Institutional Plan - NIL; For SIP investments (only in Regular Plan): Holding period < 2 years: 1.25 %; Holding period >= 2 years: NIL. Investors shall bear the proportionate recurring expenses of the underlying scheme(s) in which the Scheme will make investment, in addition to the recurring expenses of the Scheme. **Investor Benefits & General Services:** During Continuous Offer, sale (at Purchase Price) and redemption (at Redemption Price) on all Business Days (Redemption normally within 3 Business Days). SIP, SWP, STP (During Continuous Offer) available in the Regular Plan, Nomination facility available. (If the SEBI limit for overseas investments by the schemes of the Fund is expected to be exceeded, the NFO may be closed / subscriptions, switches into the Scheme (during Continuous Offer) may be temporarily suspended / SIP/STP into the Scheme may be terminated). Declaration of NAV for each Business Day by 10 a.m. of the next Business Day. **Statutory Details:** DSP Merrill Lynch Mutual Fund was set up as a Trust by the settlors, DSP Merrill Lynch Ltd. (DSPML) and Merrill Lynch Investment Managers LP, USA. Sponsors: DSPML, DSP HMK Holdings Pvt. Ltd. and DSP ADIKO Holdings Pvt. Ltd. (collectively) (Liability restricted to Rs. 1 lakh). Trustee: DSP Merrill Lynch Trustee Company Pvt. Ltd. Investment Manager: DSP Merrill Lynch Fund Managers Ltd. **Risk Factors:** Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the Scheme's objectives will be achieved. As with any investment in securities, the NAV of Units issued under the Scheme can go up or down depending on the factors and forces affecting capital markets. Past performance of the sponsor/AMC/mutual fund does not indicate the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return or dividend. DSP Merrill Lynch Natural Resources and New Energy Fund is the name of the Scheme and does not in any manner indicate the quality of the Scheme, its future prospects or returns. The Scheme is required to have (i) minimum 20 investors and (ii) no single investor holding>25% of corpus. If the aforesaid point (i) is not fulfilled within the prescribed time, the Scheme will be wound up and in case of breach of the aforesaid point (ii) at the end of the prescribed period, the investor's holding in excess of 25% of the corpus will be redeemed as per SEBI guidelines. **For scheme specific risks, including risks related to investments in MLIIF – WEF, MLIIF – NEF and other similar overseas mutual fund(s), please refer the Offer Document. Please read the Offer Document and KIM (available at www.dspmimutualfund.com/ISCs/distributors) carefully before investing.**

1522.2008




sinking company is just not on.

Analysts say the Fed rushed in where no one else would tread as it feared the end of Bear Sterns would spark a possible 'domino effect' that could endanger other American financial firms. "The Fed forced an immediate sale to remove the possibility of a complete collapse and the fears surrounding the effects of the shockwave that such an event would set off in the financial markets," said Ryan Lentell, analyst at Chicago-based investment tracker Morningstar Inc.

Last week, Bear Stearns CEO Alan Scwartz told a news channel that things were fine; Bear Stearns had ample liquidity to meet its obligations. But on 13 March evening, company officials and the Securities and Exchange Commission told the Fed and the US Treasury that the firm had no option but to file for bankruptcy. That started the scramble to save the firm, culminating in the sale to JPMorgan Chase.

### A Bailout Or A Liquidation?

What happened at Bear is being likened to a classic bank run. The firm's short-term creditors refused to roll over the loans and long-term assets could not be liquidated quickly enough to close the gap. From the Fed's viewpoint, any institution that borrows short and lends long should have a sufficient equity cushion so that the stability of the system is not threatened. Given the overleveraged status of Bear Stearns' balance sheet, there seemed to be little choice but to liquidate the firm and prevent a run on the whole system.

"What were the systemic stability concerns that prompted this intervention to assist a non-deposit-taking institution?" asks an incredulous Willem Buiter, adviser to Goldman Sachs International, in his column in the *Financial Times*. But the Fed apparently knew the implications stretched beyond Bear Stearns. If other investors questioned the safety and security of loans they made in the repo market, they could start to withhold funds from other investment banks, Wall Street would seize up. The $4.5 trillion repo market is critical to the smooth functioning of capital markets. A default by a major counter-party would have created unpredictable havoc — the entire US financial system would have buckled and come under stress.

Bankers close to the Bear Stearns-JPMorgan deal said the Fed leapt in with both feet because "a crisis" was looming for Bear Stearns in the so-called repo market, where banks and securities firms extend and receive short-term loans, typically made overnight and backed by securities.

"Bear Stearns would have to begin paying back some billions of dollars in repo borrowings," one person familiar with the deliberations told *BW*. "If a large financial institution such as Bear fails, it has a massive ripple effect. It has over $60 billion of debt outstanding."

### The Risk Of Moral Hazard

Does the Fed know more than it is willing to reveal about the real potential for the failure of institutions? For months, there have been repeated calls for transparency about the structured financial products built upon the base of subprime mortgages. This is the first time that the Fed has extended its lender of last resort function beyond the banking system. Last week, it introduced two significant liquidity measures: a term auction facility, or TAF, and a term securities lending facility (TSLF) for investment banks that are also primary dealers in US Treasury securities.

Usually most repo arrangements are overnight deals. But the TSLF allows investment banks to enter into repo agreements for up to 28 days. For the term of the repo, the facility allows firms and banks to swap problem assets with good money. It also allows — in theory — for firms to continue rolling over these repo deals for a long time. Does that constitute moral hazard?

The takeover agreement is an abrupt end for 85-year-old Bear Stearns and puts a question mark over the fate of its 14,000 employees worldwide. JPMorgan's Chief Financial Officer Michael Cavanagh declined to comment on the issue of retrenchment during an investor call he put to Wall Street, although Bear employees are bracing for staff to be halved.

In 1999, it was the lone investment bank that refused to participate in the bailout of Long Term Capital Management. In his book *When Genius Failed*, Roger Lowenstein details a conversation in which a Bear Stearns executive says, "When you're down by half, people figure you can go down all the way. They're going to push the market against you. They're not going to roll your trades. You're finished." How ironic.

*srikanth.srinivas@abp.in*

SONY

Sony recommends Windows Vista® Business

Windows Vista

# QUICK AS A FLASH

**Sony VAIO TZ. India's First Laptop with Flash Memory = No Hard Disk!!**

MONSTER SPEED
Flash Memory
Save 33%** of your time!

SAFER DATA STORAGE
Flash Memory Replaces HDD

12 Hrs Battery Life#

3 Year Domestic Warranty
1 Year International Warranty

Another first from Sony. The Sony VAIO VGN-TZ 38* that replaces the conventional hard disk drive with revolutionary Flash Memory. Making it the fastest booting laptop - 33% quicker**. Small on size but huge on features, the Sony VAIO TZ is designed to keep pace with you. Windows Vista® Business makes operation more intutive with an enhanced VAIO experience.

**• Weighs 1170 g • Genuine Windows Vista® Business • Carbon Fibre Body • Intel® Core™ 2 Duo U7700 Processor • 2GB Memory • White LED Slim LCD Display • Integrated DVD±RW/±R DL/RAM Drive • In-built camera**

*VGN-TZ38GN/X is India's first notebook with Flash Memory Storage & Windows Vista® OS pre-installed.

VAIO OFFICIAL WARRANTY

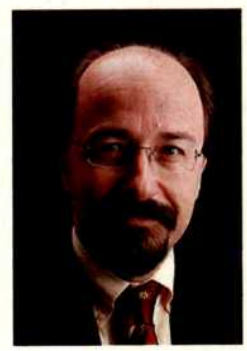
Now, get additional 2 year extended warranty on your VAIO for just Rs.5000/-.
For Enquiries, call: Toll Free no. 1800-11-11-88 or e-mail: sonyindia.care@ap.sony.com or visit: vaio-online.sony.com/in
Regional Nos. Delhi: 26991205; Mumbai: 28231558; Bangalore: 25211050; Kolkata: 24858999; Chennai: 28292211
Intel, the Intel logo, the Centrino logo and Centrino are trademarks or registered trademarks of Intel Corporation or its subsidiaries in the United States and other countries. Windows, Windows Vista and the Windows logo are trademarks or registered trademarks of Microsoft Corporation in the United States or other countries. **The result is based on the certain Sony's testing environment & the actual speed may vary with different operations conditions and settings. #Estimated battery life (under JEITA Battery Run Time Measurement Method (ver.1.0). Actual battery life may vary with different operating conditions and settings. MRP inclusive of all taxes.

VAIO

# China's Biggest Fear

**by bill emmott**

THIS WAS SUPPOSED TO BE A TRIUMPHANT YEAR for China, with the Beijing Olympics in August offering a celebration of its arrival as a modern, rapidly-growing global power. That dream could still come true. But the year has started badly, with Steven Spielberg's resignation as artistic adviser to the Olympics in protest over Chinese policy in Sudan, with the announcement in early March of the interception of apparently planned terrorist attacks by Muslim separatists from China's far-western Xinjiang province, and by the withdrawal on 11 March from the Olympics marathon race by world record holder Haile Gebrselassie of Ethiopia, for fear of air pollution. Now, an even worse nightmare is unfolding, with the riots in Tibet. Chinese officials could be forgiven for feeling paranoid, yet what they should really be worried about is something quite different: inflation.



**It's not celebrity withdrawals from the Olympics, or even the Tibet protests. It's inflation**

Despite the dreams of a well-controlled celebration at the Olympics, China must surely have expected difficulties. The fact that Spielberg came under pressure over China's role in Darfur cannot have been a complete surprise. Nor should be the fact that separatists in Xinjiang or Tibet are using the Olympics to draw attention to their cause. Like many big countries, including Russia and the US, China is less a nation than an empire, one that has been constructed in recent centuries by the conquest of neighbouring lands, not all of whose residents are happy to be Chinese.

Moreover, while Gebrselassie's marathon withdrawal is a bad omen, China can take comfort from the fact that he still plans to compete in the 10,000 metre event. Gebrselassie warned that Beijing needs to do more to cut air pollution, but he has asthma and felt a 42-km marathon in polluted air could be dangerous. One withdrawn star is an embarrassment that can be explained away by his personal condition. It will only become a disaster if a lot more stars withdraw — but the hunger for medals and fame make that unlikely.

Hunger is, however, at the root of what should be China's biggest fear. On 12 March, authorities announced that consumer price inflation rose to 8.7 per cent in the year to February, a nasty jump from the already high figure of 7.1 per cent in the year to January. For a country that became used to prices falling in the early years of this decade, and which had come to symbolise the downward pressures on prices for traded goods, this is a shock. But it is especially a shock and a danger for the Communist Party that rules China. For it harbours memories of how inflation soared out of control in 1988 and 1989, sending millions of workers marching in protest in Beijing and other cities — a process that culminated in the Tiananmen Square massacre of June 1989. It is even said that inflation is one of the causes of the Tibetan protests.

The inflation rate will bear close scrutiny in the coming months, both for outside observers watching out for signs of economic and political change, and for senior party officials watching out for signs of social instability. As the inflation rate has risen, economists and officials have argued that the rise has been caused by some temporary, isolated factors that have driven up the price of food, such as a disease that killed off many pigs. Snowstorms in early February also damaged the winter crops. Yet as inflation carries on rising, that argument is starting to look thin.

To say that inflation is 'just food' is anyway unpersuasive given that food makes up nearly a third of household spending. China is suffering from the same global forces that have driven up prices for cereals and meat all over the world. China, indeed, is one of the major causes of those price rises, thanks to the growing demand for meat as the country becomes richer. Also, China's inflation reflects the fact that for the past decade it has focused its monetary policy on keeping its currency cheap, to boost exports, rather than on controlling credit and domestic inflation. That will have to change.

As a result, 2008 could well be marked by something more fundamental than a sporting event for China. The central bank has already begun to allow the renminbi, China's currency, to appreciate a little faster against the dollar (it has risen by 3 per cent since 1 January). That revaluation may be accelerated as the government seeks to show it is getting a grip on inflation. The resulting pain for exporters will be reinforced by government efforts to show it is getting a grip on pollution, too. It is not just the marathon runners who are lobbying for a cleaner environment, after all. This is going to have to be the year when China moves upmarket, to deal with both rising costs and the problems of pollution.

---

The author is a former Editor of *The Economist*.
*policyworld.bw@gmail.com*

Microsoft

# ARE YOU READY FOR THE BIG GAME?

**With original Microsoft software, you will be. The standard adopted by businesses the world over.**

India is going places. And to be ahead in the game, your business needs the right standards. Like original Microsoft software. It's the standard for businesses worldwide, no matter how big or small. With the latest technology for increased reliability, it gives you the confidence you need to win in the big game.

**Companies** unknowingly using pirated versions can avail of **special offers** on original software. **SMS 'ORIG'** to **5676751.**

ask for original Microsoft® software

FIVE ways to buy original Microsoft software from **askfororiginal.com**

**www.askfororiginal.com**

With a New PC | Buy Online | Dial-a-Software | Locate a Store | Volume License

Call us at these numbers, **Toll Free: 1800-111-100 (MTNL/BSNL), 1800-102-1100 (Airtel) or Toll: 080-4010-3000.** © 2008 Microsoft Corporation. All rights reserved. Microsoft is either registered trademark of Microsoft Corporation in the United States and/or other countries.

McCann/MSFT/61/08

**EXECUTIVE SUMMARY**

- **Blackstone India may find jewels in the mud but all depends on its ability to cut, polish and make them shine**
- **Two factors will hold Blackstone in good stead; its reputed old boys' network and its famed capacity to take entrepreneurial risk**

# The E

## by Piya Singh

BLACKSTONE'S HEADQUARTERS on the fifth floor of Express Towers in Nariman Point, Mumbai's upscale central business district, are strangely uninspiring. It's difficult to believe that the private equity giant strikes multi-million-dollar deals in India, buys local companies overnight and rescues promoters of family-run businesses out of these premises. There are no life-size portraits of Blackstone chief Stephen Schwarzman — who makes headlines quite consistently with his extravagant birthday bashes and luxurious Palm Beach residence — in sight. In fact, for an industry that faces constant public bashing for over-the-top lifestyles of its founders and the shockingly huge profits they make, the lack of glamour is particularly striking. And Mr Blackstone in India, as he is commonly referred to among young bankers, is equally low-profile. Akhil Gupta, 55, chairman and managing director of Blackstone Advisors India and the complete anti-thesis of his boss Schwarzman, sits in a modest corner room. Only the view (of the Arabian Sea) is exceptional. Even the office activity is low-key. Besides Gupta, there's barely anyone in office around mid-morning, except a couple of analysts glued to their screens.

The office comes alive usually on Mondays when the principals of the firm in India, Mathew Cyriac and Amit Dixit, get into long-drawn meetings with Gupta to discuss potential deals and share research reports. Standard procedure includes turning down deals that are less than $20 million, focusing on those that are more than $50 million and usually zeroing in on transactions that have a floor of $75 million. Gupta says that so far he has analysed 600 deals, taken 20 to Blackstone's investment committee in New York and closed seven. And Blackstone hasn't gone around hunting for companies, he adds. Most of these deals have come to the firm. "Whenever any of us gets a deal, we circulate it and focus on some key parameters, such as, how the company is competitively positioned in the marketplace, whether we will be able to work with the entrepreneur involved, and the corporate governance practices of the company," says Gupta. He has a point. He can't go about replacing CEOs, as private equity firms typically do in classic buy-outs. That's because the bulk of private equity deals in India is restricted to minority stakes in local firms as Indian promoters are loath to cede control. Private equity in India is often compared with long-term hedge funds as they

PHOTOGRAPH: SUBHABRATA DAS

**REVISIONARIES**
**(Left to right) Mathew Cyriac, principal; Mayank Rawat, associate; Richard Saldanha, executive director, Corporate PE group; Gautam Chakravarti, executive director, Corporate PE group; and Amit Dixit, principal**

# ıyout Boys

Even when a **slowdown** is in sight, **Blackstone's** team in India has a **great deal going** for it

## A DEAL IN THE DOLDRUMS

**BLACKSTONE'S PROPOSAL to buy N. Ramoji Rao's Eenadu group company Ushodaya Enterprises became a victim of political crossfire. In the backdrop of a rivalry between Ramoji Rao and the Y. S. Rajasekhara Reddy-led Congress government in Andhra Pradesh, Congress MP from Rajmundry, Aruna Kumar Vundavalli, has alleged that the investment should not be allowed as Ramoji's Margadarsi Financiers that practically owns Ushodaya was raising funds illegally as it was a part of a Hindu undivided family and not a company. Vundavalli challenged the deal by writing to the FIPB. Blackstone's partners in New York got into the act and made several calls and wrote letters to the prime minister and the finance minister. "Our partners have tremendous respect for Mr Manmohan Singh and Mr P. Chidambaram but they can't believe that with these people at the helm the deal has gone into a tailspin," says Blackstone's Akhil Gupta. "If you see the letters they have written, you will see that they are very concerned about India's image." Veteran investment banker Nimesh Kampani has stepped in to fund Ramoji. Gupta insists that the deal is still not dead and they are awaiting Ramoji's response.**

increasingly pick up stakes in listed companies.

For the Blackstone India team, closing a transaction is just the beginning. The pressure to show high returns starts building up soon after. The principals meet on Thursdays to discuss how to add value in portfolio companies. Like all private equity firms, Blackstone India is keen to cut costs, improve processes and connect its investee companies with new customers and markets so that it can significantly enhance profits to ensure successful exits. So, for a couple of days every week, Gupta's handpicked team criss-crosses the country visiting manufacturing sites and key offices of investee companies to assist in changing the way these companies do business. By the end of the week, the team re-congregates at headquarters.

**EYE ON EVERYTHING**
A sector-agnostic Blackstone also owns the London Eye

BLOOMBERG

"Every company's needs are different," says Gupta. "And we offer value that is tailor-made, whether it's a buyout or a minority stake." Gupta constantly talks about the value-add that Blackstone brings to the table. And he believes this will hold him in good stead even as the economy shows signs of slowing down and the markets plummet. "I'm not worried about the public markets as we operate in the real economy," he says. "And we have a pipeline that is better than last year." Exits are about five years away, so the high valuations of the seven deals he struck last year, adding up to an impressive $1 billion — including the Ushodaya deal that has not been closed — don't perturb him. More importantly, he's certain that Blackstone can structure future deals to mute the impact of the change in valuations brought about by the falling Sensex. His optimism may have something to do with the fact that as Indian promoters get used to less hefty valuations for their companies in public markets, they are likely to favour private equity.

### The Game In India

Still, Blackstone has its share of troubles at home. The buyout shop, with $102.43 billion assets under management, that owns London Eye, Madame Tussauds and the Hilton hospitality group, saw earnings fall by 89 per cent in the fourth quarter and its share price plunge by more than 50 per cent since it went public last year. Big deals are proving to be elusive in the West as debt dries up. "Debt is not available and we have alerted our investors that the industry is cyclical in nature," says Gupta. "The fact is that price performance is related to macro factors and not just to Blackstone. We will restructure ourselves for a better private equity environment with lower valuations."

There are, however, two key factors that may work in his favour. The old boys' network that Blackstone is reputed for — co-founder Peter Peterson was a former US commerce secretary — and which Gupta has successfully replicated in India by roping in ex-colleagues from Hindustan Lever and Reliance can give the firm a leg-up. Gupta's own linkages in industry are not to be scoffed at. His proximity to late Dhirubhai Ambani is well known. The Stanford alumnus spent his early years (1973 to 1979) at Hindustan Lever before moving to a six-year consulting stint in the US. In 1992, he moved on to Reliance as CEO of corporate development at Reliance Industries and Reliance Infocomm, and focused on developing the group's oil and gas, refining and telecom business.

Says Satish Mehta, founder of Emcure Phar-

maceuticals, Blackstone's first investment in India, "We chose Blackstone because of Akhil and his association with Reliance as well as his ability to understand entrepreneurs." So this hypernetwork of ex-colleagues, industry leaders, bankers and the government — along with the fact that Blackstone is seen as a firm that has the ability to take entrepreneurial risk — may work well for it despite the Ushodaya debacle (see 'A Deal In The Doldrums' on page 36).

The prolific deal maker's risk taking ability will be tested in its acquisition of a majority stake in the ailing, 100-year-old garment exporter Gokaldas Exports and BPO firm Intelenet, two classic buyouts that it has done so far. Jayesh Desai, Ernst & Young's director for transaction advisory services, agrees. "Unlike other bulge bracket firms in India, Blackstone has demonstrated its ability to take entrepreneurial risk in the buy-outs of Intelenet and Gokaldas," he says. While this may work in Blackstone's favour, it could also prove to be double-edged. The pressure to drive these two businesses is building as there have been murmurs that the firm paid a hefty price for them. In the days ahead, the firm's performance in the country will be benchmarked against what returns it makes from these deals.

So far, however, Gupta enjoys the confidence of his investee companies. Intelenet's CEO, 42-year-old Susir Kumar's face lights up when he recounts how he was singled out by Schwarzman at a large gathering of CEOs of Blackstone's investee companies in New York last fall. "There were 52 CEOs at this conference with a combined revenue of around $124 billion — making it the sixth largest organisation in the world — and he chose the five of us," says a beaming Kumar. "Schwarzman told these top managers that Intelenet was a winner. Soon after, he urged them to seriously consider working with us." After that little nudge, Intelenet hopes to clinch a deal with three to four companies in Blackstone's global portfolio by this year-end. HDFC and Barclays, promoters of Intelenet who did not lack capital to run this BPO, sold 80 per cent stake to Blackstone last year while the present management, including Kumar, bought out the remaining 20 per cent. Barclays is still one of Intelenet's largest clients but these heavyweights of the financial services did nothing exceptional for the BPO company.

## Adding Value

Value-addition to its portfolio companies is what Gupta is sure will see the firm through. He's happy to talk about his experiences with Gokaldas, where Blackstone bought 80 per cent stake for $160 million. The Gokaldas transaction is interesting for several reasons. First, the valuation of the company astounded the market. Perhaps the acquisition was in sync with the firm's signature contrarian style of investing, but Gupta defends the price he paid. Blackstone is taking the bet that five years from now, India will be a lot more competitive than China. "Our currency has appreciated a lot more than China's and the latter has a lot more work to do in order to bring the currency to what the real value should be," says Gupta. "The same applies to labour markets. While we have to work on reforms, our labour laws are far more flexible than China's and we don't face labour shortages like China." He also believes if productivity is pushed up even incrementally from 45 per cent efficiencies at present — even Gokaldas, the largest player in the industry that sells to retailers such as Gap, operates at that level — compared with the 75 per cent at which Chinese, Vietnamese and even some Bangladeshi firms operate, the investment will work out well.

HEMANT MISHRA

**TURNING AROUND**
Blackstone India is keen to cut costs, improve processes and build connects

## In the Blackstone bag

| Ann. Date | Compl. Date | Target Company | Bidder Company | Deal Value EUR (m) |
|---|---|---|---|---|
| 3/7/2007 | 24/10/2007 | Hilton Hotels Corp. | Blackstone Group Holdings LLC | 18,434 |
| 5/3/2007 | 22/5/2007 | The Tussauds Group | Lego Holding A/S; Merlin Ent. Group | 1,509 |
| 20/11/2006 | 9/2/2007 | Equity Office Properties Trust | Blackstone Real Estate Partners | 29,528 |
| 25/10/2006 | 15/12/2006 | United Biscuits | Blackstone Group Holdings; PAI Partners | 2,400 |
| 15/9/2006 | 1/12/2006 | Freescale Semiconductor Inc. | Freescale Acquisition Co | 12,862 |
| 6/3/2006 | 14/7/2006 | CarrAmerica Realty Corporation | Blackstone Group Holdings | 4,675 |
| 21/11/2005 | 2/2/2006 | Orangina SA (formerly Cadbury Schweppes European Beverages) | Blackstone Group Holdings; Lion Capital | 1,850 |
| 13/7/2005 | 24/8/2005 | LEGOLAND Parks | Blackstone Group Holdings | 375 |

Source: Company

## Investments in India by The Blackstone Group

| Investee company | Approx deal size | Approx stake | Month of announcement |
|---|---|---|---|
| Emcure Pharma | $50 million | NA | July 2006 |
| Intelenet | $200 million | 80% | June 2007 |
| Gokaldas Exports | $160 million | 80% | August 2007 |
| Nagarjuna Construction | $150 million | 12.5% | August 2007 |
| MTAR | $65 million | 26% | November 2007 |
| Allcargo Global Logistics | $85 million | 10.4% | February 2008 |
| Total | $710 million | NA | |

This does not include $300 mn investment in Ushodaya that has not been closed yet. Source: Company

## Total Private equity deals done in India since 2005

| | Value (in million dollars) | | | No. of deals | | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| PE | 19,031.08 | 7,859.43 | 2,033.00 | 405 | 302 | 124 |

Source: Grant Thornton

Second, Gokaldas is a rare example where the promoter's family sold out despite having several successors. "I told Akhil that we were giving him our daughter in marriage last August when Blackstone came aboard and he promised us that he would live up to that expectation," says 55-year-old Dinesh Hinduja, the youngest brother among the promoters. "Our family has three brothers aged 55-66 years and our sons are very young." Hinduja says that by end-2006 the family realised that they would find it very difficult to survive as a company that employs 54,000 people if they did not have a captive tie-up with a front-end global retailer.

These days a Blackstone team led by Gautam Chakravarti, who worked with Gupta during his Lever days, is collaborating with the Hindujas to install lean systems of production apart from plucking the low-hanging fruit such as improving working capital management and purchase economies. "We flew in our expert on lean manufacturing," says Chakravarti. "The company was equally excited, and they put in one line on lean manufacturing that has achieved 65 per cent efficiencies." Says Gupta, "If we do nothing else but increase the productivity of Gokaldas from 45 per cent to 75 per cent, just imagine the amount of value-add we do."

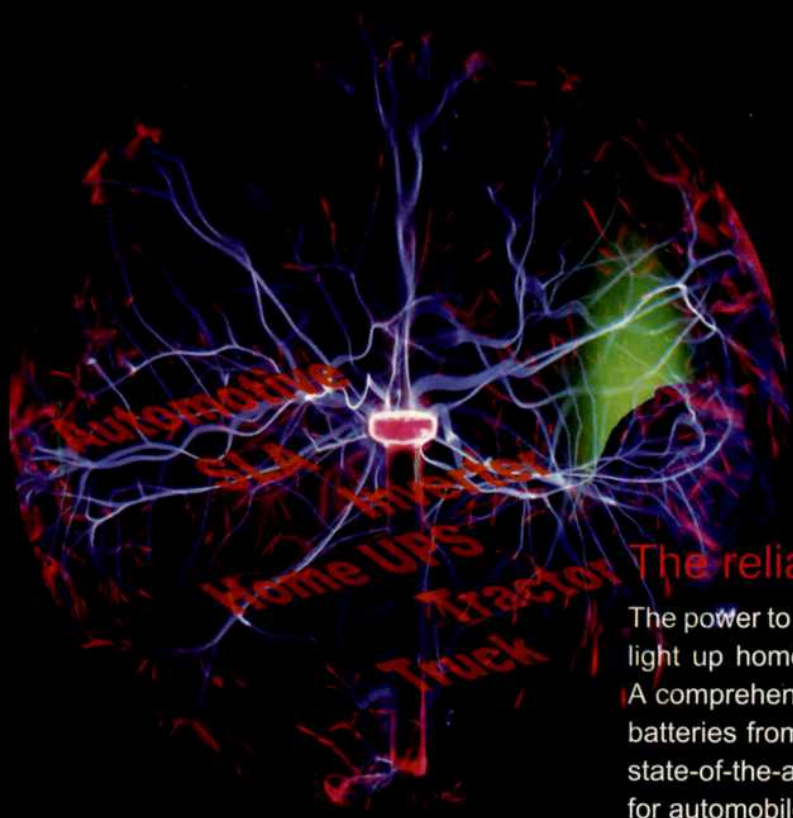
Chakravarti is quick to point out that it's not just about implementing efficient systems. "We have to be careful to not upset people, and work closely with the second line of command," he says. "The idea is to listen carefully, understand the business and, thereafter, review the business and set targets for improvement." Blackstone's Richard Saldanha, Gupta's former boss at HLL and ex-chief of Haldia Petrochemicals is an old industry hand who agrees. "I believe you just don't go in and start managing change before you really understand the DNA of the company," he says. These days Saldanha spends a couple of days every week at precision equipment company MTAR's facility in Hyderabad. MTAR, in which Blackstone has acquired a 26 per cent stake for $65 million, makes cryogenic engines and other precision equipment for the defence and nuclear industries.

Saldanah has recently worked with the company's management to create a team for governance and another to oversee its operations. He is also working out a new compensation structure linked to performance with MTAR's HR department. And it's not just about internal systems. Companies such as MTAR and Emcure Pharmaceuticals divest to private equity as it gives them access to global markets, new customers, M&A expertise and more efficient supply chains. "Besides, Blackstone will not only help us connect with multinational clients but invest in R&D in aerospace with us," says MTAR's founder P.J. Reddy. The private equity firm may also help MTAR expand operations quickly if the 123 Agreement comes through, which will push demand for MTAR's products possibly overnight, hopes Reddy. In Emcure, the firm's first transaction in India where it put in $50 million for a minority stake, Blackstone has not only given it capital to invest in bulk drugs and biotech, but also added credibility to its name in regulated markets. "They suggest new global customers from their portfolio, bring proposals for joint ventures and associations with global pharma companies for outsourcing and contract research," says Emcure's Mehta. "It would have been very difficult for us to do this on our own."

This year Blackstone has picked up 10.4 per cent stake in Allcargo Logistics, which owns and operates container freight stations and handles specialised project cargo, for $85 million and plans to up this from the open market. Blackstone's real estate group, headed by Tuhin Parikh, plans to set up 75 hotels with DLF in a joint venture with Hilton across the country where DLF will hold a 74 per cent stake and the management contracts will be those of Hilton.

So far, the firm has invested in diverse businesses ranging from infrastructure, garments, pharmaceuticals, and IT-enabled services to precision equipment. "India is firing on all cylinders and we're sector agnostic," says Gupta, though he does confess to having a weakness for media, despite Ushodaya. Gupta seems convinced that his firm will continue to get enough business in India. If he's right, Schwarzman's office may urge him to move into a plusher workplace.

*piya.singh@abp.in*

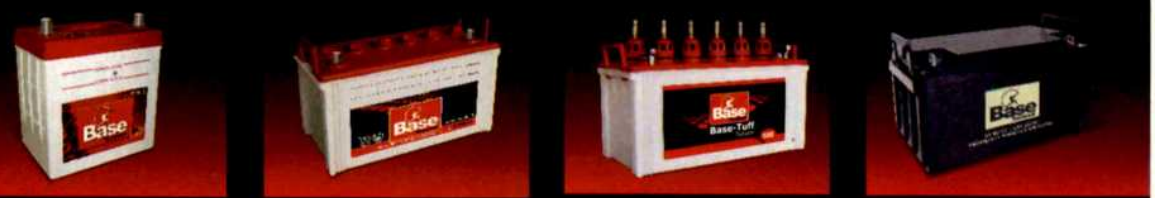



Base
Terminal

## The reliable power store

The power to surge ahead. The power to light up homes. Power for every need. A comprehensive range of ever-reliable batteries from **Base**, Manufactured at a state-of-the-art plant at Solan (HP). be it for automobiles, Home inverters or UPS systems. It's life Powered By **Base**.

Base
Terminal




365 24 Days Hrs

**Available at your nearest BASE Terminal - India's largest chain of battery showrooms**

**Branches:**

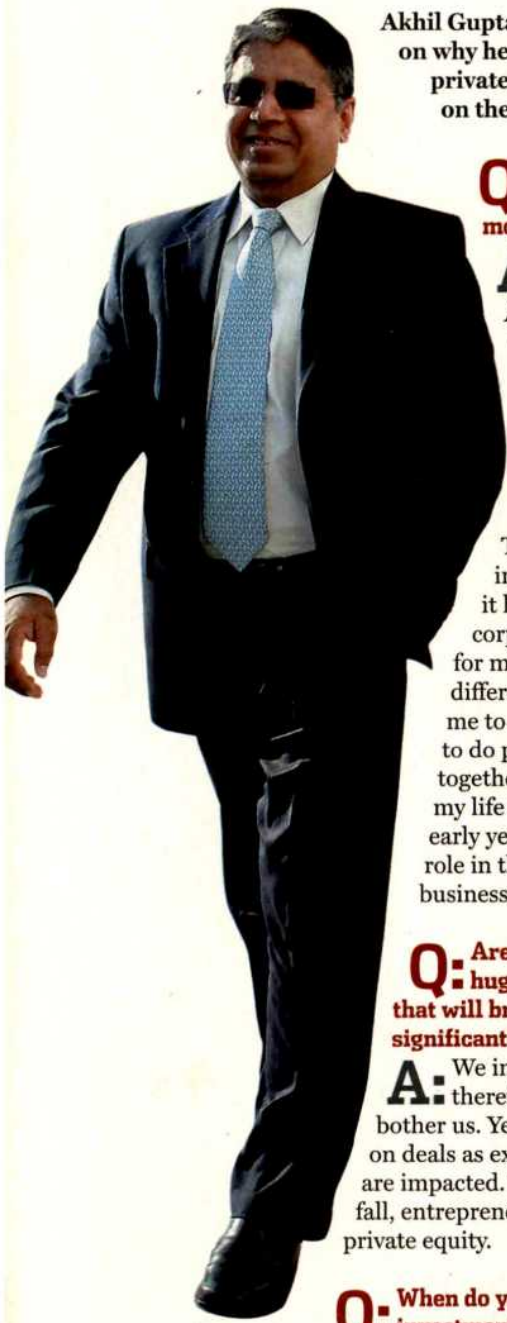
**NORTH** - **Delhi** : 011-39998000 (25 Lines) **Chandigarh** : 98145 365 24 **Punjab** : 98148 365 24 **Jammu** : 9419263069 **Jaipur** : 98280 365 24 **Ghaziabad** : Ph: 0120 - 3251548 **Uttrakhand** : Dehradun Ph: 0135-6541010 **Gurgaon** : Ph: 0124 - 2210839 **CENTRAL** - **Indore** : 98930 365 24 **Nagpur**: 98227 365 24 **SOUTH** - **Bangalore** : 98440 365 24 **Chennai** : 98401 365 24 **Secunderabad** : 98490 365 24 **Palakkad** : 98473 365 24 **EAST** - **Kolkata** : 94330 365 24 **Jamshedpur** : 93340 07434 **Bhubaneshwar** : 92383 365 24 **WEST** - **Mumbai** : 98206 365 24 **Pune** : 98231 365 24 **Ahmedabad** : 98250 365 24

* For all india enquiries for distributor / dlrs pls call : Mr. Bansal 98719 95545 * For further assistance please contact "feedback@basecorporation.com"

base energy

# 'India story will continue'

— Akhil Gupta
CMD, Blackstone Advisors India



SUBHABRATA DAS

**Akhil Gupta speaks to *BW's* Piya Singh on why he signed up for the world of private equity and what he expects on the road ahead. Excerpts:**

**Q: Why did you leave Reliance Industries and move to private equity?**

**A:** When the brothers [Mukesh and Anil Ambani] started to fight, it was time for me to go. The culture changed after Dhirubhai. When I joined Reliance, it was a different firm and I could make serious contributions. Today, it's still a great firm. The management depth has increased so tremendously that it has become like any other corporation and there isn't a role for me. Besides, Dhirubhai was a different leader... It was time for me to move on. I've always wanted to do private equity as the job brings together everything I've ever done in my life so far, whether it was at my early years in HLL, my consulting role in the US or setting up new businesses for Reliance.

**Q: Are you concerned about the huge drop in the Sensex this year that will bring down valuations significantly?**

**A:** We invest for the long term and, therefore, the crash landing doesn't bother us. Yes, there may be some impact on deals as expectations of entrepreneurs are impacted. If the public markets fall, entrepreneurs are more open to private equity.

**Q: When do you plan to exit from the investments you made last year?**

**A:** On an average, we exit in five to five-and-a-half years. However, in India, it will take longer for the simple reason that high valuations will come from restructuring. Besides, India is a growth story, and I think it will continue forever. So why exit? Unless, the market goes crazy after the fourth year. If the market is steady, our average holding will be much higher. Our only constraint is that this fund has a life and you really don't want to take a chance at the last minute. So we may to have to find a window and then exit.

**Q: What is the status of the Ushodaya deal?**

**A:** The finance minister has given his approval. Ramoji didn't wait, and I believe he has raised funds from some other sources. However, we are still in discussion. I have to say that my partners are absolutely puzzled at the way this deal has unfolded. They expected red-carpet treatment for a landmark deal like this, which was the largest in its sector. We even listed this deal in our IPO prospectus. I feel sad and disturbed that we are still not able to showcase our positive attitude toward FDI fully and are unable to rise above regional politics.

**Q: So, are you still bullish on the media sector?**

**A:** We love the media sector. We think it's a great horizontal platform to capture. If you have growth in the automobile sector, the media benefits as manufacturers advertise more. The same thing applies to growth in retailing, or any consumer-focused industry. And funnily enough, India is at a point where personal consumption is going up and advertising intensity has to keep pace. When people buy things they need, advertising is unimportant. But when we go and buy things we don't need, advertising plays a crucial role. And that's where we are now.

**Q: What keeps Akhil Gupta up at night?**

**A:** I worry a lot about getting more people on board. As private equity is relatively new in India, there just isn't enough talent around. In Reliance, we hired 20,000 people in two years and here putting together a team of 12 has been far more difficult. The problem is that our guys do so well that they go to business school and the hunt starts all over again.

*piya.singh@abp.in*

imageRUNNER

Canon

Delighting You Always

# With Canon imageRUNNER, answer all queries related to your documentation needs.

iR2018N

iR3035

iR5055

iR7105 series

*From MTNL/BSNL landlines * Prefix your local city code when dialing from phone other than MTNL/BSNL landline

The new generation imageRUNNERs from Canon bring you a host of simple solutions, fully loaded with the most advanced features. So with Canon, make a hero out of your employees. Every day!

**•Print • Copy • Scan • Fax • Network Ready • Universal Send™**

**Business can be simple**

**CALL CANON: 1800 345 3366*/39010101# OR VISIT www.canon.co.in**

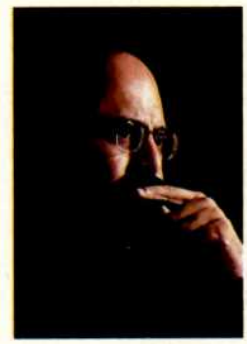
Corporate Office : Canon India Pvt. Ltd., Second Floor, Tower A & B, Cyber Greens, DLF Phase-III, Gurgaon -122 002

# Regulatory Dysfunction

**by rajeev chandrasekhar**

AS REGULATORY ARBITRAGE CAUSES AS MUCH economic losses to the country as do the poor decisions by the Executive, it follows, therefore, that to ensure the country does not lose financially, we need to build better regulatory bodies and have stronger oversight and scrutiny of these regulators and their decisions and performance.

Then where are we going wrong on this crucial aspect of regulatory capacity building and regulatory oversight? Regulatory capacity building is one of the critical things we need to do as a nation before we can call ourselves developed. It requires government to identify and develop cadres of committed professionals who have the capabilities in economics, law, financials, principles of competition, etc., just like you need good lawyers and judges to develop a good judicial system. Unfortunately, governments treat regulatory bodies mostly as a resting place for post-retirement bureaucrats and judges. I have no problems with retired bureaucrats or judges, but neither of them have the inherent capabilities required of a good regulator. The counter argument usually is that since the compensation packages are so low, the government can't get anyone else to look at this job. I think this is one of those arguments put out to defend the indefensible, as is the norm with governments.



**With ever shorter sessions, the Parliament has been increasingly reduced to a legislative body**

Knowing as we do about the economic effect of regulators and their decisions for our country, we have but to agree that we require competent regulators. The government must develop a new cadre of officers who specialise in this and as a transition measure even look to hiring from the professional and private sector to increase the capability and capacity of these bodies.

Having made the case for regulatory capacity building, let me move to the other critical issue of regulatory oversight.

How can we achieve this? Parliament and MPs have a very big responsibility in this and so does media. The Parliament has two roles — one is that of legislation and the other is the critical aspect of oversight of the executive and government. Now, this oversight role is done usually by asking questions and seeking replies either during the question hour every day or during the course of a discussion of a particular subject. Using the floor of the Parliament as a way of oversight is not a foolproof mechanism and but there are inherent flaws in this — even if TV broadcasting of these proceedings have increased their quality dramatically over the recent years. It is quite evident that the Parliament's Executive oversight role is weakening and with shorter and shorter Parliament sessions, Parliament has been increasingly reduced to a legislative body.

The parliamentary committees, on the other hand, have the power and the role and space to conduct executive oversight. The consultative committees, where MPs meet with the minister, or the standing committees, which get the stakeholders of that ministry, including bureaucrats and regulators to depose, are solid institutional mechanisms to effect oversight of regulators and executive. However, the performance of these committees are patchy at best and can often be reduced to schmoozing sessions for bureaucrats with parliamentarians. There is way to make these committee hearings more effective: Make some committee hearings public — the ones where regulators and heads of bureaucracy are called to depose and are being questioned for decisions relating to policies or regulations. This will make sure that media and citizens get to be part of this process of scrutiny.

Recently, I suggested to Somnath Chatterjee, our veteran parliamentarian and an inspiring Speaker of Lok Sabha, and Dr Hamid Ansari, Vice President of India and Chairman of Rajya Sabha — the idea of televising some of the proceedings of parliamentary committees. This along with the Right to Information Act will finally allow all in the public domain to scrutinise regulatory and executive decisions. Predictably, some political parties have reacted adversely to the suggestions and are opposing it. If you are one of those who believes in better oversight of regulators and executive and agree on having parliamentary committee depositions made public, then I would encourage you to write to Speaker Chatterjee and Vice President Ansari and urge them to open up these committee meetings to the public through television.

If we are to develop a blueprint for sustaining equitable growth and investments for the next decade, cracking this problem of an often dysfunctional regulatory system that causes these economic losses is crucial.

---

The author is Member of Parliament. He can be reached at *rajeev.c@nic.in*

Selected
Business
Superbrand
INDIA 2008
Industry Validated

SUZLON
POWERING A GREENER TOMORROW

# does SAVING THE EARTH HAVE TO COST THE EARTH?

Not when you partner with a company that has the expertise and experience needed to deliver profitable wind energy solutions worldwide. At Suzlon, we serve your energy needs by providing dependable wind energy solutions backed by excellent customer response and a fully integrated and secure supply chain, which delivers customised solutions to ensure project performance globally. Partner with us, so your business can join ours in powering a greener today and tomorrow.

∴ THEREFORE
SUZLON

www.suzlon.com

Hd's 5th largest and fastest growing integrated wind turbine manufacturer | 350kW to 2.1MW capacity wind turbines | Workforce of 12,000 people in USA, Australia, Belgium, Brazil, ade, China, Denmark, Greece, India, Italy, Nicaragua, Portugal, Spain and Turkey | R&D in Germany and The Netherlands | Global Management Headquarters in Amsterdam

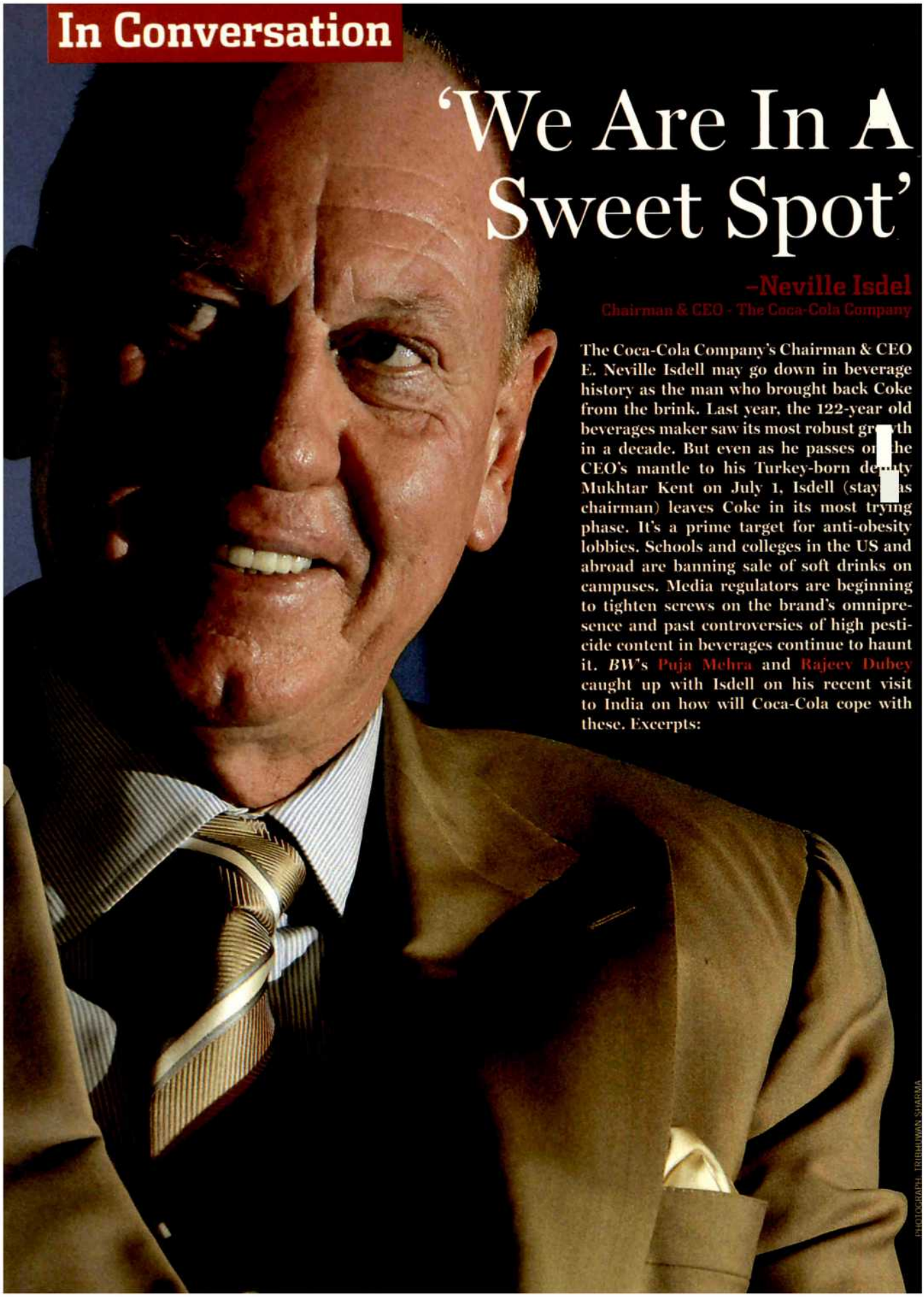
In Conversation

# 'We Are In A Sweet Spot'

**–Neville Isdel**

Chairman & CEO - The Coca-Cola Company

**The Coca-Cola Company's Chairman & CEO E. Neville Isdell may go down in beverage history as the man who brought back Coke from the brink. Last year, the 122-year old beverages maker saw its most robust growth in a decade. But even as he passes on the CEO's mantle to his Turkey-born deputy Mukhtar Kent on July 1, Isdell (stays as chairman) leaves Coke in its most trying phase. It's a prime target for anti-obesity lobbies. Schools and colleges in the US and abroad are banning sale of soft drinks on campuses. Media regulators are beginning to tighten screws on the brand's omnipresence and past controversies of high pesticide content in beverages continue to haunt it. *BW*'s Puja Mehra and Rajeev Dubey caught up with Isdell on his recent visit to India on how will Coca-Cola cope with these. Excerpts:**



PHOTOGRAPH: TIRTHANKAR SHARMA

**Q: It is no more fashionable to drink fizzy drinks such as Coca-Cola....**

**A:** Then why did our volumes grow last year by the fastest rate of growth for Coca-Cola since 1997? There was that trend a few years back, but we are changing it. We have had our most successful launch — not in India as yet — of Coke Zero, in 25 years. There is absolutely nothing wrong with sparkling beverages. Judge by what people actually do, not by what people like to write about. The evidence is very clear that we are turning around the whole industry.

**Q: Do you see Coke replacing tea and coffee in Indian homes, as in the West?**

In fact, the biggest single opportunity is to move from non-commercial to commercial beverages. That will be tea, coffee, juice, packaged water.... It is not a zero-sum game. The expansion of the overall market is what is going to drive the growth.

**Q: How are you handling the moves in schools to ban fizzy drinks?**

**A:** What you are talking about is the whole issue of not just fizzy drinks; but the calorie intake. We don't market Coca-Cola to children below 12 years of age. The availability of fizzy drinks to children has actually been largely due to the schools themselves. If they don't want it, we are fine. Schools have never been major selling outlets for us.

**Q: Are you saying that it is not safe for under-12-year-olds to drink Coca-Cola?**

**A:** No. We are saying it is inappropriate for us to market to people whose perception with regard to how they are influenced is not fully formed. That is true for marketing of everything, not just the marketing of our products. It is the broader issue of marketing to children. We believe that it is the gatekeeper, who is the parent, who should be making that decision. If you see a child in our ad, you will also see a parent present. Let me tell you, hundreds of millions of people and young kids drink soft drinks and there is no evidence whatsoever that this has done any harm.

**Q: Do you see media curbs, as in the UK, on carbonated beverages intensifying?**

**A:** That is about food products in general. We have always taken a position about responsible marketing and we will continue with responsible marketing. The issue is obesity. We are better positioned than anyone else to address that issue. We have zero calorie beverages. In fact, there is a business opportunity for us in this. The second piece of the equation, which is not being covered, is physical activity, particularly with regard to children. The amount of exercise that children are doing today is much less than certainly my generation. Addressing the calories issue doesn't solve the health issue because you also need to exercise hard. We are involved in fitness programmes with schools and universities to help address that issue. The issue is got to be looked at it in a holistic way. We are ideally positioned to have brands that will benefit children.

**Q: How do you view food miles — especially, water traveling continents?**

**A:** We don't make water travel miles, so it is not something that we are worried about. Food miles, again, is another one of those issues which are purporting to solve a complex problem in a simple way. Take the case of flowers from Kenya coming into the UK. By the way, it has hurt the Kenyan flower industry by putting a whole lot of poor people out of work there. But leave that aside. Where do the flowers come from (if not from Kenya)? They come from Holland. How do they grow them in Holland? In heated glass houses. More energy is used in growing of flowers in Holland than is actually used for producing fresh air in aircraft carrying flowers from Kenya. So it is actually beneficial not only to the Kenyans but to the overall environment to get flowers from Kenya instead of Holland. You have to look across the whole chain before you making a proper judgment on any issue.

**Q: What about water traveling across continents, say in the case of Evian?**

**A:** I think this was built on choice. If people want to pay that sort of premium, wherever Evian comes from, that is their choice. I think if you try and legislate for every single human decision, you will force the economic engines, the economic wheels to grind to a halt, which is not to the benefit of people overall. Over-regulation is one of the things that I am against.

**Q: How come Coke didn't want to partner the Tatas in Glaceau?**

**A:** It wasn't that we did not want them as a partner. They had the absolute right to sell, and I believe they wanted to sell, that 20 per cent interest. There were no negotiations between us and them. We made a decision between buy and build. We made that

## Fast Facts

Established
**1886**

CEO
**E. Neville Isdell**

Headquarters
**Atlanta, US**

Revenues
**$28.8 bn**

Beverage Variety
**More than 2,800 products, including Coca-Cola, Coke Zero, Maaza, Sprite, Minute Maid, Powerade, Georgia, Dasani and Glaceau**

Operational Reach
**200+ countries**

Consumer Servings
**1.5 billion per day**

decision in India too. We asked, would we be able to build a brand quickly enough and we made the decision that we could. We needed to go and buy that particular brand (Glaceau). We are now eight or nine months into that decision and we are already ahead of our projections. It has been a very successful move. We have just launched it in Australia and we will launch it selectively into a few markets as we go through the year. If you look at the juice business here in India, we have launched a global brand (Minute Maid). We have purchased another brand by the name of Orange. We did that in China.

**Q: Are your non-aerated drink revenues higher than aerated?**

**A:** Revenue wise, we are about 20 per cent (non-aerated). But we are getting a faster rate of growth from non-sparkling because we are much smaller in that area. The absolute numbers of growth — not the percentage numbers — are still higher for sparkling, obviously.

**Q: You have over 400 brands globally. Are there any plans to rationalise them?**

**A:** We always rationalise. But also add, particularly as we expand. As we get into more categories, it is natural we will have more brands. The whole issue of cycling brands is that some brands will work and you have to consign some to history.

**Q: Was the pesticides controversy handled well enough by Coca-Cola India?**

**A:** I don't think we were in a well enough position to handle it at the time. It has obviously been finally found to be factually incorrect. All the facts have borne the truth of what we were saying at that time. The problem always with regard to these issues is that people make inaccurate accusations. It is very difficult to respond immediately when they don't give you the evidence upon which they make the allegations. If you just respond with very quick comment, which is not based on facts, then you are lacking integrity.

**Q: Has there been an irreparable damage to Coke in India?**

**A:** No, I don't think so. It had effect at that time. No question about that. But if you look at what is happening today, the last six quarters we saw very strong growth. We don't believe long-term damage has been done.

**Q: Despite its 120 years, Coca-Cola hasn't impressed with product innovation....**

**A:** Why we have been around for 120 years is because we continue to make our brand relevant to today's consumers. That is innovation. If you determine that innovation is broadening your category and getting into different businesses and becoming a conglomerate, that is not our strategy — never has been, never will be. It (beverages) happens to be, on a global basis, the fastest growing consumer category. We are in the sweet spot of the category.

**Q: You are not thinking of products that are not perceivable today....**

**A:** We invest in innovation significantly. We have increased our marketing and innovation bill to $400 million. We have 30 patents. There is an innovation pipeline. An innovation, which is in the public domain at the moment, is the work we are doing on a natural sweetener. That is a major breakthrough. These things take time. But, yes, in the next 10 years you will see some of that happening, otherwise, I wouldn't have done what I said I have to do when I came back (as chairman of Coca-Cola). But this will be where my successor will also be benefiting from the investments that are being made.

**Q: In India, will Thums Up continue to be under-exposed?**

**A:** We will expose all the brands. I think Thums Up is a great brand.

**Q: Comparatively, by the share of the market, it is not as exposed as Coke....**

**A:** It depends upon where you are. Thums Up is No. 1 in Gujarat. If you look at the advertising there, you will find what we are doing with Thums Up. You will see a different picture in Gujarat than in the East. It is interesting how regional some of these issues are. If you view it from Gujarat, you will say, tell me, why is Thums Up selling so much as compared to Hyderabad or Kolkata. But about Delhi you are right... it is all about Coke.

**Q: What has been your most significant move at Coca-Cola Company?**

**A:** It would be what we call 'the manifesto for growth', which was a strategy about what we want to do and where we want to go. A 10-year program, that may extend to 20 to 50 years. That is the path that we will be following and it has provided a level of focus.

*puja.mehra@abp.in*
*rajeevdubey@abp.in*

# ELGI

Think Long Run

## AIR POWER...

... instrumental in drilling operations up to 100 feet depth for piles of 50 inch diameter in South Korea's massive skyscraper projects.

Elgi's air compressor technology plays a key role in core industries the world over.

## ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather
▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors


## ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

**Branch Offices:** Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326
Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

**Overseas Offices:** Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

**Toll Free Customer Care Number 1800 - 425 - 3544**


iB&W/ELGI/08/05

# A Call To Arms

**by Feroz Ahmed**

**Is Ratan Tata on his way to creating a defence conglomerate?**

IT IS HARD TO SAY WHAT WILL BE EVENTUALLY SEEN as Ratan Tata's single most remarkable achievement as the Tata Group chairman. Will it be globalising the Tata footprint? Will it be converting his commodity-FMCG-durables legacy into a tech-driven empire? Will it be the Rs 1-lakh Nano? Or, will it be laying the foundations of a major military industrial complex? Though it is early days yet for Tata's military forays, he is doing enough to suggest that he is committed to creating a defence conglomerate, which may one day rival Lockheed Martin or BAE Systems.

"We, as a group, have all the ingredients of becoming a force to reckon with in 10 years," says V.S. Noronha, head of defence business at Tata Motors, which is trying to advance from being a supplier of logistics vehicles to a manufacturer of armoured and artillery vehicles for the Indian Army.

Tata's aggression in the military sector has to be seen in the context of India's ambition to become a regional power, and its race to upgrade its armed forces. Over the next 5-7 years, India is expected to spend about $45 billion (Rs 1.8 lakh crore) on military ware. The bulk of this money will go to foreign suppliers since the Indian public sector, which has a near monopoly over defence production, has failed to develop cutting-edge technology. However, the Defence Procurement Procedure (DPP) 2006 allows India's private companies to compete with its public sector for defence orders. Nevertheless, this big business opportunity for the Tatas comes with great financial risk, and also a moral challenge.

"Tatas are not known for their skills at doing business with governments, which are the sole customers for defence products anywhere in the world," says an analyst. He adds that though defence deals tend to be like infrastructure projects — large, long-term, and with high margins — the hit rate could be low given the competition with the public sector and imports. Each failure to win an order could involve write offs of significant development costs. Already, Tata Power's investment in the development of launchers for Akash missiles — a short to medium range nuclear capable surface-to-air missile system — looks in trouble as the Indian Air Force is not happy with the overall package put together by the Defence Research and Development Organisation (DRDO); Tata Power

**POWER PACK:** Tata group companies are positioning themselves to gain greater territory in the defence equipment market

ILLUSTRATION: KISHORE DAS

has co-developed the launchers for this missile with DRDO.

Ratan Tata, however, clearly does not share these concerns. He is pressing ahead with indigenous development and international tie-ups to build capabilities to cater to not only the Indian government's needs but also for exports. Tata Motors has developed an indigenous light specialist vehicle (LSV) that is currently being tested by the Indian Army, which has evinced interest from a couple of South-East Asian countries, too. The Tata Group is also trying to enter the aerospace area through manufacturing tie-ups for initially low-tech activities — making floor boards for Boeing's Dreamliner passenger aircraft and cabins for Sikorsky's S-92 troop transport helicopter.

## Behind The Lines

Though Tata Group companies have been in the defence production business for decades — Tata Motors has been supplying logistics vehicles and Tata Power handles defence electronics — it was in 2006, the year the government decided to allow private Indian companies to become prime contractors in defence projects, that Ratan Tata made the first moves towards the creation of his military industrial complex. Tata Advanced Systems (TAS) was created as a dedicated defence company completely owned by Tata Industries, one of the group's key holding companies. TAS was conceived as the umbrella company for the group's defence business. It assures the government of its complete Indianness for participation in key defence projects. Importantly, Ratan Tata is directly involved in its affairs. The company has signed up with Europe's EADS to bid for a $1-billion contract to provide tactical communication systems (TCS) to the Indian Army and with America's Sikorsky Aircraft for making cabins for the S-92 helicopters. It has also signed an agreement with Israel Aerospace Industries for developing, producing and supporting missiles, unmanned aerial vehicles (UAVs), and radars and electronic warfare systems. TAS is also talking with Israel's Urban Aeronautics to first market and then manufacture the latter's UAVs, which can take off and land vertically.

While TAS is the new gun in Tatas' arsenal, the traditional defence equipment supplying companies in the group are also positioning themselves to gain greater territory. The strategic electronics division (SED) of Tata Power is manufacturing the Pinaka multi-barrel rocket launchers for the Indian Army, having developed it in collaboration with DRDO. It is also involved in the development of the Akash missile launcher system for the Indian Air Force (IAF) and it is working on a target-locating-and-firing system for 105-mm mounted guns of the army. In February, it signed an agreement with the French defence electronics maker Thales, for supplying optronics — electronic systems for reconnaissance, target identification, detection and weapon-guiding capabilities of an airborne platform — for the existing and the future needs of the Indian Air Force, particularly for the 126 medium multi-role combat aircraft (MMRCA).

HEMANT MISHRA

**NO KITE-FLYING THIS:** Ratan Tata is laying the foundations of a military industrial complex, which may one day rival Lockheed Martin or BAE Systems

Rahul Chaudhary, CEO of Tata Power's SED, is also eyeing the order for upgrade of the army's Howitzer guns. "Hopefully, the Howitzer upgrade order will come to private companies," he says.

Meanwhile, Tata Motors has taken its first step towards becoming a supplier of combat vehicles by developing an indigenous light specialist vehicle (LSV) for the army. Noronha is confident about winning an order for 8,400 vehicles because of the low cost of indigenous components. The company has also developed an eight-wheel drive vehicle for logistics and combat applications. It may be offered to the army as the vehicle to carry Pinaka multi-barrel missiles. Even as the LSV is under trial with the army, the company is trying to solve the problem of upgrading the Indian Army's legacy tanks and combat vehicles for greater mobility. The tender for these upgrades is due soon.

According to Noronha, the basic hulls of these vehicles still have life, but they lack in power for the current speed required by the Indian Army. For example, the T-72's power pack — engine and gear box — currently generates only 700 bhp whereas the army wants it perked up to 1,000-1,200 bhp. "Because of our experience in the passenger vehicle business, we have the capability to work out solutions to integrate more powerful power packs into vehicles originally designed for lower power," he says.

However, Noronha concedes that Tata Motors does not have such power packs in-house

## KEY COMPANIES: WHO DOES WHAT

REUTERS

**TATA MOTORS:** Troop carrying and logistics vehicles; in the fray to supply light infantry vehicles to the army; has developed 8x8 vehicle for logistics, towing guns or mounting missiles; plans to bid for the upgrade of infantry vehicles and T-72 tanks.

**TATA ADVANCED SYSTEMS:** A special purpose company dedicated to defence that will undertake large defence projects. It has tied up with Europe's EADS to bid for tactical communication systems for theIndian Army and with America's Sikrosky Aircraft for making helicopter cabins.

**TATA ADVANCED MATERIALS:** Produces composite materials for making extremely light yet very resilient items such as bullet-proof vests, launcher tubes for missiles and armour panels for battle tanks. It will supply material for aerospace applications to Tata group companies.

**TATA POWER:** Its Strategic Electronics Division is making launcher platform for Pinaka missile; vying for the order of upgrade of 105-mm artillery gun electronics; makes assorted electronic items for target location and directing air, surface, and sea weapon systems

and is looking abroad to source the technology. "Once we work out the upgrade solution, we'll not only offer it to the Indian Army but also to armies around the world, as legacy upgrade is a huge business in the military," he says.

### Mission: Possible

Tata Advanced Material (TAM) is another key cog in the Tata Group's military machine. For both military and civilian uses, the company produces composite materials for making extremely light yet very resilient items, such as bullet-proof vests and launcher tubes for missiles, among other things. It will supply material to Tata Motors' subsidiary, TAL Manufacturing Solutions, which will make the floorboards for Boeing's Dreamliner passenger planes. TAL also has capabilities in research and development and production engineering, and will be assisting Tata Motors in coming up with new, advanced vehicles for the army.

In addition to these key companies, Ratan Tata can also call upon other group companies, such as Nelco, which makes e-fences and explosive detectors.

Even as Tata marches ahead with his military business, there is a concern in some quarters over the emergence of a private military industrial complex in India, akin to the one in the US. According to Laxman Kumar Behera, associate fellow with the Institute for Defence Studies and Analysis in New Delhi, though the Indian private sector at present neither has the technological capabilities nor the excess capacity for military products, once it grows to a significant size, it could start influencing the country's policies and priorities to suit its needs. "The threat from a military industrial complex cannot be ruled out in the long run as private industry moves on to play a dominant role in the country's security requirements," he says.

In the US, there is a big debate on whether the country needs to spend big on defence to police the world or does it police the world to absorb all that its military companies develop and manufacture. The US's defence budget of over $500 billion (Rs 20 lakh crore) exceeds the aggregate defence budget of the next dozen biggest spenders, including the UK, Russia, Japan, France and Germany.

While a lot is still in the realm of possibility, Ratan Tata is betting big on the military business. If he succeeds, he would not only have shaped his own legacy, but also contributed to the creation of a private defence industry in the country.

---

With inputs from Jayant Singh

*feroze.ahmed@abp.in*

# Now avail the opportunity for operating Private Stage Carriage services in Delhi

## INVITATION FOR QUALIFICATION

In order to provide safe, secure, efficient and reliable operation of buses in Delhi, Government of National Capital Territory of Delhi (**GNCTD**) has formulated a scheme. Based on commonality, existing routes have been aggregated into seventeen (17) separate clusters. This information is available at **www.transport.delhigovt.nic.in and www.dimts.org.**

Under the scheme private entities, selected through a competitive bidding process for each cluster, will provide private stage carriage services under a suitable contractual structure ("Concession Agreement") with specified performance standards. All clusters are expected to be bid out by Dec. 31st 2008.

The private Concessionaire shall be required to provide stage carriage services based on unified time table for operation of Delhi Transport Corporation and private buses for the cluster. Each cluster may have more than one type of bus, such as standard, semi-low floor, low-floor. Buses may have to be equipped with device/s to enable tracking of buses with Global Positioning System, ticket validation, recording the identity of staff in the bus etc.

In order to shortlist competent parties who could subsequently bid for Cluster 1 of the scheme for Operation of Private Stage Carriage Services in Delhi (the "Project"), Delhi Govt. has authorized Delhi Integrated Multi-Modal Transit System Ltd. ("DIMTS"), for inviting applications from suitable investors and other interested parties in accordance with Request for Qualification (RFQ) Document. Cluster 1 comprises 32 routes and may broadly need about 230 buses to meet the requirements of the Project.

The RFQ Document can be downloaded from the websites: **www.transport.delhigovt.nic.in or www.dimts.org**. The RFQ Document can also be obtained by post/courier upon a written request to DIMTS accompanied by the non-refundable cost of RFQ Document, which is Rs. 15000/- (Rupees Fifteen thousand only) by crossed demand draft in favour of DIMTS, payable at New Delhi. Transport Dept. or DIMTS will not be responsible for any delay, loss or non-receipt of any request for RFQ Document sent by post/courier. Completed applications should be submitted to Managing Director and Chief Executive Officer, DIMTS, 1st Floor, ISBT, Kashmere Gate, Delhi-110006. **Ph.:-011 23860968/971/974/449/456/459 Fax : (011) 23860966, before April 25, 2008 up-to 1700 hrs. IST.**

Parties using the downloaded RFQ Document should submit the cost at the time of submitting their application.

All Subsequent, notification changes and amendments would be posted only on the following website: **www.transport.delhigovt.nic.in and www.dimts.org.**

**STATE TRANSPORT AUTHORITY**

Bhagidari

## TRANSPORT DEPARTMENT

**Government of NCT of Delhi**

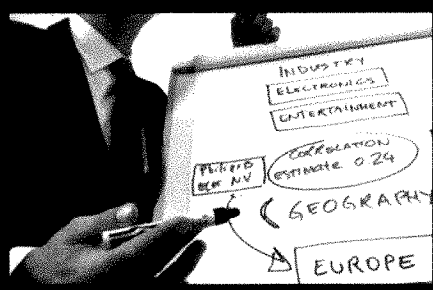
5/9, Underhill Road, Deihi- 110054

my delhi I Care

DIP/2440/07-08

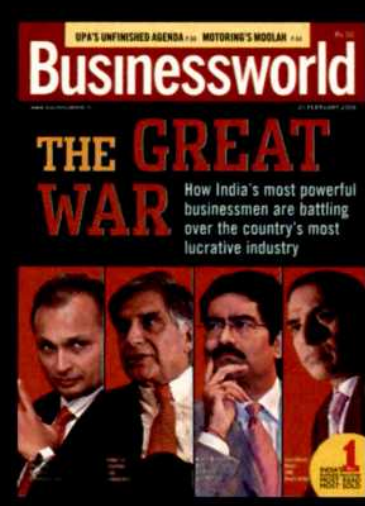
**Help Line No. 42-400-400**

**www.transport.delhigovt.nic.in**




# SO MUCH LIKE A QUESTION PAPER LEAK. ONLY LEGIT.

By spotting trends and providing insights in an easy-to-read form, Businessworld prepares you for business risks and corporate challenges well in advance. Read Businessworld. Claim your unfair advantage.




**YOUR UNFAIR ADVANTAGE**

BATES DAVID ENTERPRISE 1483

# What to do in a Bear Market

RAJESH GAJRA WITH DINESH NARAYANAN

**Markets** are never **meant** to be uni-directional but you can **deal** with the **volatility**

THE ECONOMIC DOMINOES CONTINUE TO TUMBLE across the world as yesterday's wizardry is revealed as mere financial sleight of hand and oracles are shown up as charlatans. Economic news coming out of the US, the world's largest economy, is still alarming and experts say that we may be in a deeper mess than previously thought.

Some analysts say that the threat to the markets could be as great as those caused by the Great Depression of 1929. No wonder, despite dissent by two members of its Federal Open Market Committee, the US Federal Reserve, on 18 March, cut its benchmark interest rate by 0.75 per cent, taking the applicable rate to 2.25 per cent, a rate that was last seen in November-December 2004.

The foundations of the credit market in the US have already been shaken by the subprime crisis, which has ultimately felled some mighty institutions, such as Bear Stearns and Carlyle. The economy, too, seems to be headed for zero growth, if not for a contraction. One of the oldest and largest securities companies in the US, Bear Stearns, was sold on 17 March to JPMorgan Chase & Co. at a bargain-basement price of $2 a share at a value of $236 million, at one-fifteenth the company's market price of $30 a share on 14 March (see 'Saving The Bear' on page 28).

Analysts are asking that if Bear Stearns' exposure to subprime mortgage losses was not known to the market before JPMorgan's bail-out, then why should not they expect similar skeletons to come out of the cupboard of other securities companies in the US. With the unprecedented high level of uncertainties in the market, many are wondering whether the Dow Jones Industrial Average, currently at 12,000 levels, could plunge to as low as 7,000.

The ripple effect of the developments in the US is being felt in India, too, where the BSE Sensex dipped below the psychological level of 15,000 on 17 March, which was last breached on 1 August last year and stayed below it for a full month before bouncing back. The signs of an oncoming slowdown — as predicted in 'It's Getting Hot Out There', *BW*, 7 May 2007; 'United We Fall', *BW*, 27 August 2007; and 'Powering Down', *BW*, 15 October 2007 — were felt by that most sensitive of indicators, the Sensex, which has already lost a third of its value since the beginning of the year. It is not just that the stocks are losing value, but how. Volatility, intra-day and day-to-day, is perhaps higher and more prolonged than ever before (see 'Not For The Faint-Hearted' below and 'Roller Coaster' on page 56).

What is reflected in the stockmarket appears to be a prelude to what is in store for the corporate sector and the general economy over the next few months. The word 'stagflation' is slowly creeping into even board-room discussions as companies are putting in place emergency strategies to tide over the short-term choppiness. "Certainly, our board is tracking the situation very carefully," says Anand Mahindra, vice-chairman and managing director of Mahindra & Mahindra. "One has to filter out what this is going to do to the global markets and then see what aspects will affect us in terms of currency movements and export markets."

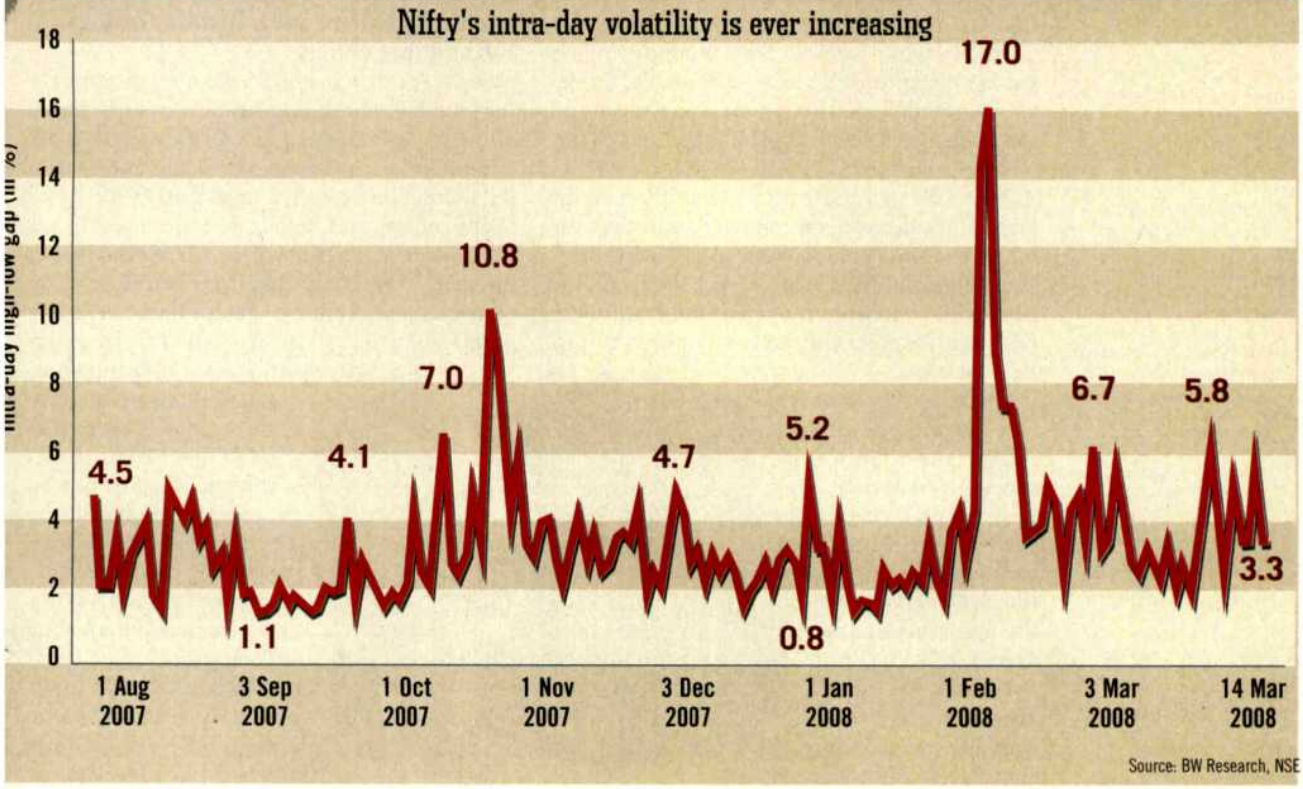
"Promoters are certainly concerned," says Jitender Balakrishnan, deputy managing director of IDBI Bank, one of the largest corporate lenders in the country. "Some are scaling down capital expenditure plans. Some are thinking of alternative funding options."

Capital has become expensive and hard to get as global liquidity depletes and financiers' risk appetite falls. "The writing is on the wall," says Pradip Shah, a financial expert who sits on the boards of several companies. "People are worried about raising capital. The money cycle will

**EXECUTIVE SUMMARY**

- **The domino effect of crumbling global markets have forced the Indian market to reluctantly hug the bear**
- **Volatility is severe but if you handle it well you won't have headaches.**

## NOT FOR THE FAINT-HEARTED




Source: BW Research, NSE

slow down. There is a mixed feeling in boardrooms. The fear is whether India's GDP growth will fall below 7 per cent."

It could happen as many fast growing sectors are slowing down rapidly. Many of them are squeezed by rising inflation, falling demand and a strong rupee. Rising input costs have put producers in a quandary. "We are already feeling stagflation," says Ashok Taneja, president of Shriram Pistons and Rings. "We are operating without profits at the moment."

The metal-intensive auto parts industry was one of the fastest growing sectors of the economy but is now caught in a cleft stick of rising input costs and falling demand.

Some experts feel that the commodity prices have gone far too high to be sustainable. "Prices of commodities such as steel and aluminium are at absurd levels," says Balakrishnan. "They have to come down."

Shah says that the froth that was there in the stockmarket has been removed, and that the market has more or less come to a point where it could stabilise. "After the market stabilises, the cues will come from the US economy, foreign exchange markets and domestic consumption," he says.

However, Ajit Ranade, chief economist of the Aditya Birla Group, is not too pessimistic. He says, "Even if economies such as the US and Japan were to remain flat, they will still generate enough sustainable demand."

It is pretty much clear that certain sectors of the economy, such as real estate, auto components and finance, are going to remain subdued in the short- to medium-term. But even in stormy times, there will be cherries hanging low to be picked.

Though it won't be easy any more. "The high volatility is making investors predominantly invested in equities as an asset class a bit scary," says B. Gopkumar, senior vice-president for financial planning group at Kotak Securities. Having a well-thought out investment philosophy and following it in a disciplined manner has always been the hallmark of good investors. "There is no shortcut," says Abhay Aima, head of equities and wealth management at HDFC Bank. "If you are a corporate employee earning Rs 30,000 or Rs 40,000 a month by working 8-9 hours a day, you can not expect to earn Rs 50,000 a month by investing in equities through just your lunch-hour research or tips from brokers."

So, what do you do, as individual investors, whether small or big, in such volatile times in a market that is likely to continue to remain bearish? What are the options before you? *BW* spoke to experts about five possible scenarios that investors could be thinking about on where the market could be headed, and how you, as an investor, should handle it. What you do could depend on which scenario you feel is closest to your own assessment of the situation.

### The market has become so complex that one is not able to see any order or logic in the ongoing chaos.

FEEL LIKE PUTTING YOUR HANDS UP? OR, WONDERing whether you should simply diversify across all asset classes, such as equities, debt, gold, commodities and property? "The excesses in the market had resulted in an unrealistic spiral in the indices and individual stocks and this is now getting corrected with a fall of even higher intensity," says Ramachandran Krishnan, head of investment, Barclays Wealth India. "If an investor goes to the equity market for the first time investing Rs 2 lakh and loses, say, Rs 50,000 immediately, he will never forget it," says Aima. Most first-time investors who entered the market during the prolonged four-year bull run did not experience this and so they are experiencing a feeling of being lost.

"I do not think the situation is any more complex or disorderly then before," says Gaurav

Mashruwala, a renowned certified financial planner (CFP). "If you keep short-term horizons for your investments, you have to brace yourself for very high volatility."

Diversification is an option. Debt instruments or fixed deposits are easy to get into. Gold can be purchased in physical form or through gold exchange traded funds. "But get into the illiquid and non-transparent real estate market only if your corpus is high; that is, invest in a property of Rs 40 lakh only if your investible corpus is at least Rs 3 crore," says Mashruwala.

Not all recommend diversification, though. "If one tries to venture out in all asset classes, the gains in one asset class would tend to cancel out the loss in the other and, in the net, one would earn meagre returns or no returns," says Manish Sonthalia, vice-president for equity strategy at Motilal Oswal Financial, a member-broker on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). "Anyway, as regards alternative asset classes, such as gold, maybe it is too late, and even debt would be an absolute no-no since we are in an inflationary environment where real returns would be peanuts or even negative."

Structured products could be a way out. "We get more enquiries now of capital guarantee or capital safety products," says Kotak Securities' Gopkumar. HDFC Bank's Aima suggests a 50-50 debt-equity solution where one invests, say, Rs 50 each in equity and debt, and when the index goes up by 50 per cent, an investor sells Rs 12 from his Rs 75 equity and invests that amount in debt. "It does not require rocket science to do this," says Aima.

### The current slide is only a mid-point to a full-blown crash.

TECHNICAL ANALYSTS ARE TALKING OF THE SENSEX sliding to the 10,000 level if it breaches a level of around 14,000. Should you, therefore, sell all your shares now and buy them back when the market seems really at its bottom?

"Our only advice would be to sell everything and in the interim transfer everything to risk free assets such as fixed deposits," says Motilal Oswal's Sonthalia.

"Scrap the bad stocks immediately at whatever price you are able to unlock today," says Jatin Doshi, manager at Wealthmax Enterprises Management, a financial advisory firm. Says Gaurang Shah, head of HNI (high net-worth individual) client services at Geojit Financial, a NSE-BSE member-broker, "For your short-term or medium-term investments, keep in mind to have stop-loss orders to prevent a major hit on your capital and if these are activated, shift the sales proceeds to safer investments, such as bank FDs (fixed deposits)."

Long-term investors need not react, though. "If your investments have been based on sound advice from a long-term perspective then stay invested," says Nipun Mehta, CEO of Unitis Tower Wealth Advisors. Says Rajesh Saluja, CEO of ASK Wealth Advisors, "You should also do a full-fledged portfolio review to see that the asset allocation is correct and that you are not overexposed to any investment, sector, stock, etc." But Mehta feels if you want to play the market, then sell 15-20 per cent of stocks now but with a clear disciplined strategy to buy them back when a pre-fixed market decline of, say, 10-15 per cent happens.

Among mutual funds, Dhirendra Kumar, CEO of Value Research, recommends schemes such as Birla Income Plus, ICICI Prudential Flexible Income, Kotak Flexi Debt, Tata Short-Term Bond and UTI Bond.

ILLUSTRATIONS: ANTHONY LAWRENCE

### It is all a blip and the market will rebound soon.

IF YOU BELIEVE THIS TO BE THE LIKELY scenario in the coming 2-3 months, then should you go bargain hunting by looking at the rebound potential in those stocks where the fall has been the steepest. "In such a case, without thinking much, put money in index funds," says Sonthalia.

Says Barclays' Krishnan, "If you are looking to increase exposure to equities then take advantage of panic days." Says Saluja, "The stocks that have fallen most will not necessarily gain the most. Price is a derivative of growth, which, in turn, is dependent on fundamentals, and not the other way round. Thus, undue importance should not be given to price."

"The sharpest fall has been in mid-cap and low-cap stocks and these will not rise suddenly," says Unitis' Mehta. "Control your greed, do not put 100 per cent of your investible money in trying to time the market," says Mashruwala. "At

best, play with 10 per cent, but even then be conscious of the fact that while, in debt investments, the growth is linear, it is not so in equities, where you could see 20 per cent, 30 per cent, 40 per cent, -15 per cent and -30 per cent in a span of five years."

If you still prefer to bargain hunt then try some innovative schemes of mutual funds. "Consider funds such as Templeton Dynamic PE Ratio Fund of Funds that invests in equity and debt funds but when price-to-earnings ratios in equities go down it increases allocation to equity funds," says Mukesh Dedhia, a Certified Financial Planner and a director in Ghalla Bhansali Stock Brokers, an NSE member. Among mutual fund options, Kumar suggests schemes such as DSPML T.I.G.E.R Regular, Kotak 30, Magnum Contra and Reliance Growth.

### The market has bottomed out but is likely to stay this way for next 12-18 months.

THE QUESTIONS THAT CAN ARISE IN YOUR mind with this scenario are whether you should continue to stay invested in your existing equity portfolio but stop making any new purchases.

"Invest in equities in tranches, and systematic investment plans of mutual funds or your own direct disciplined systematic investments are the best way," says Sonthalia. Says Mashruwala, "If your investment goals have a time horizon of 7-9 years or more, then you should not stop making fresh purchases."

If you are averse to putting any fresh investments in equities till the picture is clear over a period of a year or two years, then consider fixed income instruments, such as bank fixed deposits that are currently providing attractive interest rates of 8-10 per cent per annum. For instance, HDFC Bank, among the safest banks in the country, is paying 8.75 per cent for term deposits having a tenure of 1 year and 15 days to 1 year and 16 days.

"Put in mid-term debt instruments, but keep some money aside to capitalise on sudden market aberrations, such as the panic selling in L&T that made the stock crash by 12-15 per cent in a single day," says Mehta.

### This market slide is separating, or will separate, the men from the boys

YOU MAY BELIEVE THAT WHEN THE GOING GETS tough, the tough get going. "Yes, it is true that such kind of corrections do separate the men from the boys, and, hence, it is prudent to invest in large-cap stocks from these sectors — fast moving consumer goods, pharmaceuticals, power transmission, public sector banks, capital goods, infrastructure and oil refining," says Geojit's Shah.

"There are no men here, all are boys," says Dedhia. "But it is true that when a market is not broad-based you are better off in large-cap stocks." Says Mashruwala, "You could look at investing in index funds that are less risky."

First, identify the men. "By and large, look at large-cap, low beta stocks that stand to play a longer role if the economy sustains its growth at 7-8 per cent levels," says Gopkumar.

"Clearly, look at banking, capital goods and infrastructure," says Mehta. "In capital goods, for instance, you could look at stocks such as Bhel, Siemens, Crompton Greaves and L&T."

"Negative sentiments do offer opportunities to buy stocks that are quoting way below their intrinsic value or their earning growth rates," says Saluja.

But tread cautiously. "Among the contributors to India's GDP (gross domestic product) you may feel tempted to pick niches, but, no one, not even professional fund managers, have the required expertise to do so with best results," says Aima. "In any diversification, whether in one asset class or across multiple asset classes, some part of the portfolio should be giving negative returns," says Mashruwala. The idea here is that you probably need to have boys, too, in your portfolio along with men.

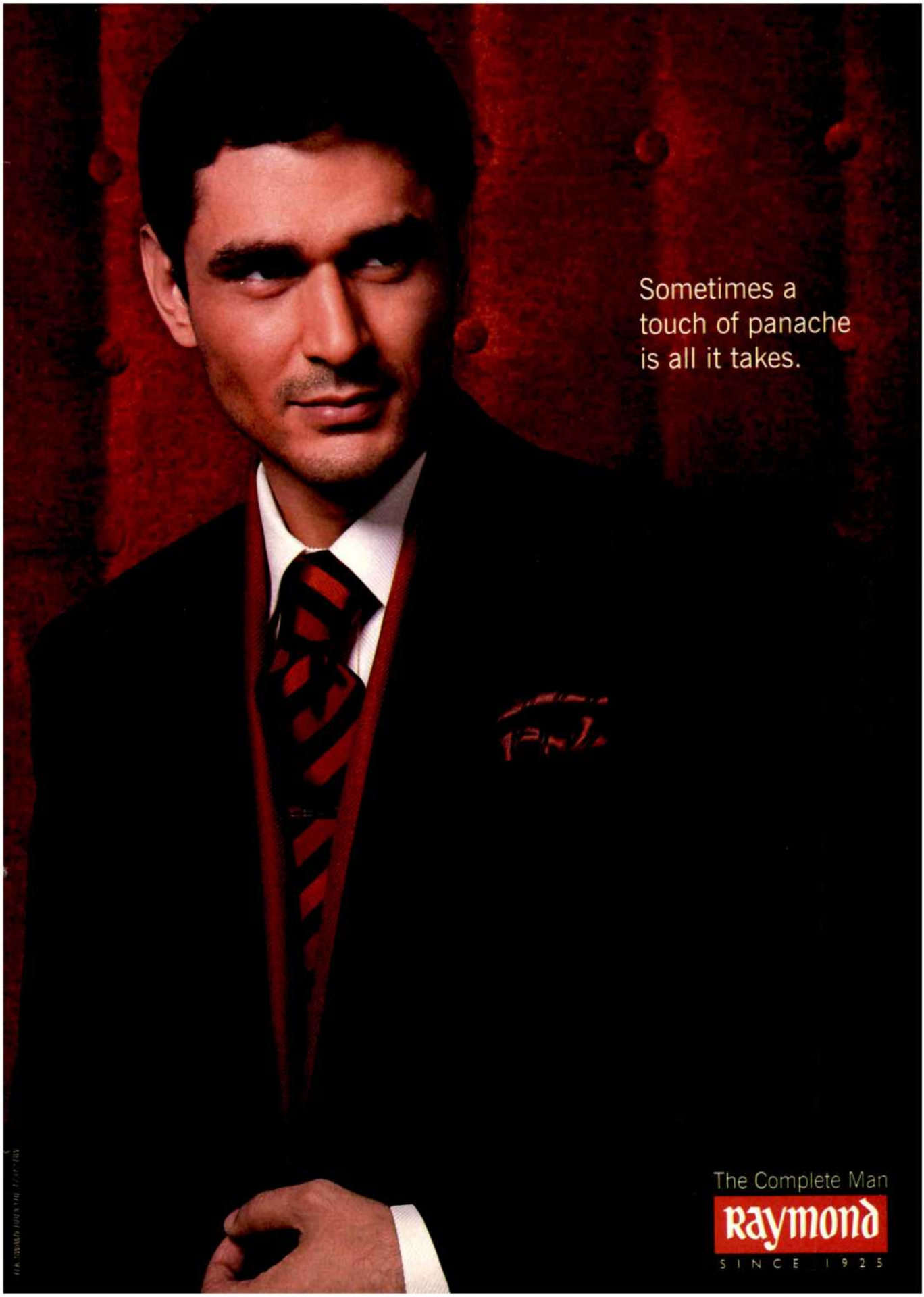
Kumar also recommends a few mutual fund schemes for this scenario. "Consider funds such as Birla Sun Life Frontline Equity, Franklin India Prima Plus and HDFC Equity."

In the end, volatility has to be handled in a matured manner.

---

With inputs from K. Yatish Rajawat

*rajesh.gajra@abp.in*


Sometimes a
touch of panache
is all it takes.
The Complete Man
Raymond
SINCE 1925

# Ode To The Last Puff

**by Gauri Kamath**

**To the aid of smokers wanting to quit comes another drug**

ONE DAY 12 YEARS AGO, FOR NO GOOD REASON really, Priyanka Basu lit her first cigarette. "I had always liked the smell of cigarette smoke," says this 35-year-old textile designer based in Mumbai. "I wanted to see what it felt like." What began as a casual experiment in 1996 is now a serious habit that Basu, mother of a six-year-old daughter, knows she should kick but can't quite get around to doing. Also an aspiring actor, Basu says she's managed to improve her life in many ways by adhering to a diet and learning reiki, a spiritual practice that its followers say helps cure disease. "Smoking is playing havoc with my otherwise healthy lifestyle," she says.

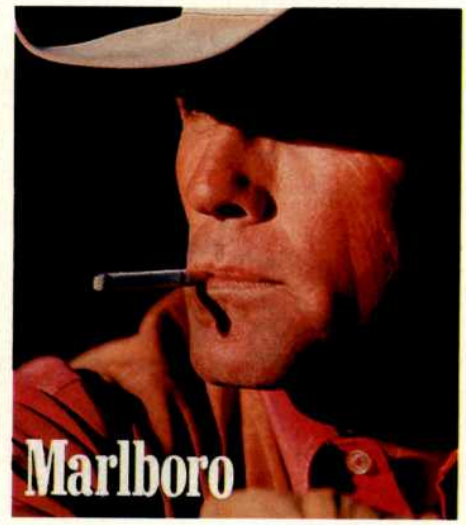
Around the same time that Basu got drawn into smoking, Jotham Coe, a scientist at New York's Pfizer Inc, the world's largest drug maker, began work on a drug that has the potential to help people like Basu quit smoking. Coe — now an ex-smoker, who lost his father, uncle and aunt to lung cancer from smoking — and his team at Pfizer's research labs in Groton, Connecticut, first synthesised varenicline in February 1997. Nearly a decade later and after extensive trials on 5,000 smokers, Pfizer launched the prescription drug, branded Chantix, in the US in 2006. In those trials, smokers were found to be twice as likely to quit on Chantix as on competing drug Zyban from UK's GlaxoSmithKline, and four times more likely to do so than if they were on a placebo.

Chantix, a nicotine-free product, works by binding to a receptor in the brain that is linked to the release of dopamine, a chemical responsible for the pleasure derived from smoking. This prevents nicotine from binding to that receptor but still fools the brain into releasing some amount of dopamine without actually getting nicotine. This also eases withdrawal symptoms, Pfizer says. Recent market data from Pfizer shows Chantix to be the most prescribed of all available smoking cessation solutions in the US. That includes nicotine-replacement products such as patches and gum.

Last month, Pfizer brought the drug to India —here it's called Champix — hoping to do an encore. India has the second-largest number of smokers in the world, after China, with 120 million Indians estimated to light up. The rising awareness about the ill effects of smoking especially among the urban, educated middle-class suggests that conceivably many more would be trying or wanting to quit. "India is truly the big 800-pound gorilla as far as smoking is concerned," says Anjan Chatterjee, medical director of Pfizer Inc. "Champix offers a fresh opportunity to smokers who have previously failed quit attempts." Champix will set a smoker back by Rs 9,652 over a 12-week course, an amount that might initially raise eyebrows but pales in comparison to what many smokers would spend if they continued to smoke, and in the event of a smoking-related illness.

## Sounds Good, But...

Challenges abound. One is the task of hawking a medicine for what is not commonly considered an illness. "The first barrier to taking a drug to stop smoking is the feeling of being weak," says Sanjeev Mehta, consultant chest physician at Mumbai's Lilavati Hospital. "It hits a smoker's ego to accept that he can't do it on his own." Mehta, who runs a 'Quit Smoking' club alongside his practice, says this is especially true of male smokers and that he has tried to overcome this resistance by equating nicotine addiction with a disease. "That makes it easier for a smoker to seek help." In fact, nicotine addiction is accepted as a disorder in many countries. *The Diagnostic and Statistical Manual of Mental Disorders*, an American




**SMOKE SIGNALS:** A growing number of people smoke in spite of knowing the danger it poses to their health

handbook for mental health professionals, says the disorder can be diagnosed by the occurrence of three of seven criteria within one year, including the inability to quit smoking in spite of trying, and withdrawal symptoms after cessation. "All leading medical associations of the world have termed nicotine addiction a disease," says Prakash Gupta, director of Mumbai's Healis-Sekhsaria Institute of Public Health. "The implication is that once it is a disease it becomes the responsibility of doctors to treat it and advise patients properly."

But even today not many doctors in India prevail upon smokers to quit. Unless, of course, smoking posed an immediate health hazard. "Doctors usually counsel their patients to quit smoking when he or she approaches them with advanced stage ailments caused due to smoking," says Anjan Sen, Pfizer's marketing director for pharmaceuticals in India.

Then there are the side-effects. Champix's side-effects include nausea and vomiting at one end of the spectrum and trouble sleeping and vivid dreams on the other. Western regulators have also recently begun investigating reports of suicidal tendencies and aggressive behaviour in Champix users. But just the nausea could be sufficient for a smoker to jettison the product, says Mehta. In Champix trials it was found to occur in one in three patients given the highest marketed dose. While Indians are known to respond to medicines at lower doses than Westerners, it has yet to be tested in this case. "Our data shows that only about 2 per cent of the smokers stopped the drug because of the nausea," says Sen, adding that dosage is raised gradually and can be lowered in the event of intolerable nausea.

There is no guaranteed success. Trial results suggest that 44 per cent of all 'motivated' Champix users quit at the end of the 12-week regimen. This is far superior to the cold turkey quit rate of 2 per cent in India. But it still means that many did not rid themselves of the habit in the trials. Importantly, while the trials included counselling for Champix users, this is difficult in India where doctors are pressed for time. "Doctors need to understand that treatment and the approach. One-off prescriptions don't work," says Mehta.

Champix is also up against non-conventional remedies such as homoeopathy and reiki, seen to be harmless, unlike chemicals. "I am not that much into allopathy," says Basu. "I have noticed that if I use reiki to tell myself that I will not smoke, I do smoke a little less the next day." Basu says while she's open to using a drug to quit smoking it would depend on "whether it works and its side-effects".

**Not nearly enough**

While some smoking cessation aids are available in India, counselling isn't guaranteed

| | |
|---|---|
| Quitline | No |
| Nicotine replacement therapies (NRT) sold | Yes |
| Bupropion sold | Yes |
| Counselling in health clinics | Yes, in some |
| Counselling in hospitals | Yes, in some |
| Counselling in offices of health professional | No |
| Counselling in the community | Yes, in some |

Source : WHO Report on Global Tobacco Epidemic, 2008

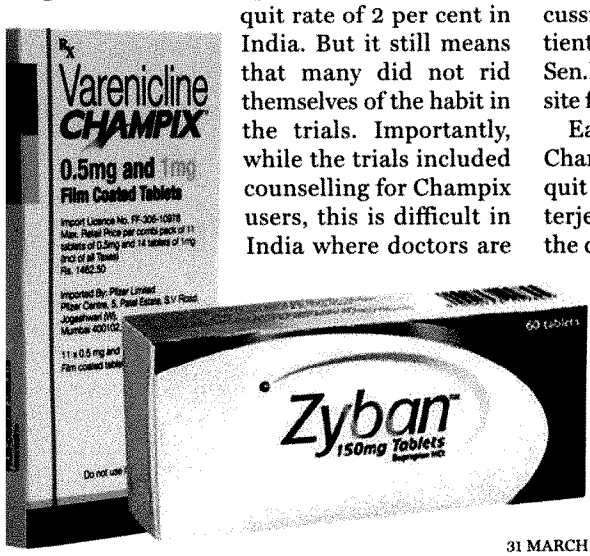
### Learning From The Competition

An earlier attempt to launch a smoking cessation drug in India failed. In 2001, GlaxoSmithKline Pharmaceuticals (GSK) brought Zyban to India, but faced with the prospect of making substantial investments over the long term in awareness and other support for doctors with no guaranteed results, withdrew it a couple of years later. "It was a business decision based on what we got out of it versus what we put in," says Ravi Limaye, vice-president for sales and marketing at GSK. Also, the quit rates on bupropion, the active drug in Zyban, were even lower than on Champix.

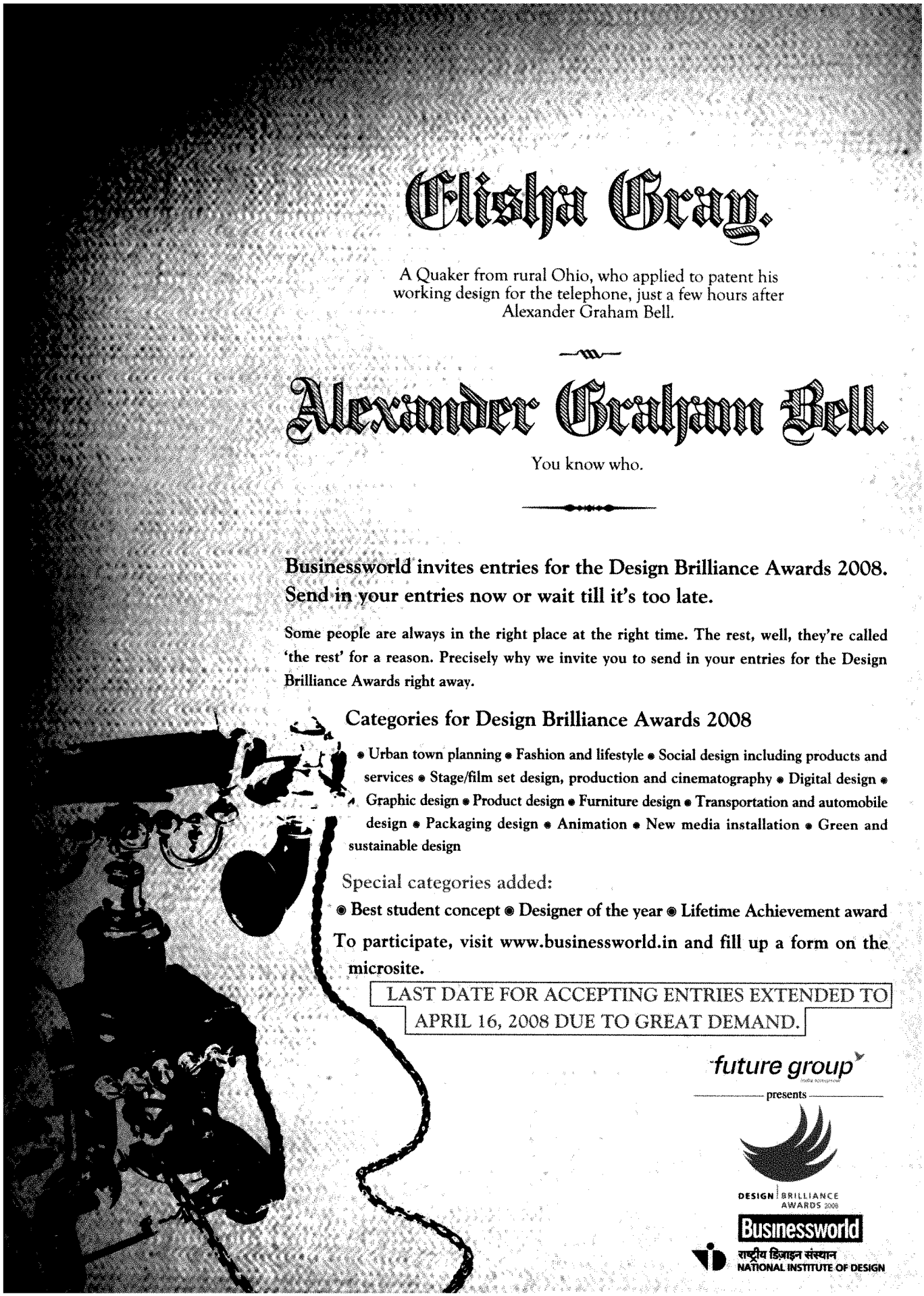
Pfizer is keenly aware of the uphill climb. Its response is an ambitious marketing plan that includes the setting up of 600 branded 'smoking cessation clinics' in tie-ups with doctors and hospitals that will be supported with data, visual aids, and other tools that doctors use to raise awareness and counsel smokers. "Critically, doctors will be equipped to initiate a discussion on smoking cessation and lead the patient through the therapy period," says Pfizer's Sen. It will also inaugurate a helpline and a website for Champix users.

Early data suggests that more people using Champix stayed off cigarettes a year after they quit than those who quit on Zyban, says Chatterjee. Unlike Zyban, Pfizer owns a patent on the drug in India making it illegal for generics producers to copy it. At the end of the day, any tool that gives a fighting chance to smokers is welcome, says Gupta of Healis. "If they've tried on their own and can't quit, well this is something they can fall back upon."

*gauri.kamath@abp.in*




**WITHDRAWAL SYMPTOMS: Pitted against non-conventional remedies such as homoeopathy and reiki, will Champix succeed where Zyban failed?**


Elisha Gray.
A Quaker from rural Ohio, who applied to patent his working design for the telephone, just a few hours after Alexander Graham Bell.
Alexander Graham Bell.
You know who.
Businessworld invites entries for the Design Brilliance Awards 2008. Send in your entries now or wait till it's too late.
Some people are always in the right place at the right time. The rest, well, they're called 'the rest' for a reason. Precisely why we invite you to send in your entries for the Design Brilliance Awards right away.
Categories for Design Brilliance Awards 2008
• Urban town planning • Fashion and lifestyle • Social design including products and services • Stage/film set design, production and cinematography • Digital design • Graphic design • Product design • Furniture design • Transportation and automobile design • Packaging design • Animation • New media installation • Green and sustainable design
Special categories added:
• Best student concept • Designer of the year • Lifetime Achievement award
To participate, visit www.businessworld.in and fill up a form on the microsite.
LAST DATE FOR ACCEPTING ENTRIES EXTENDED TO APRIL 16, 2008 DUE TO GREAT DEMAND.
future group
presents
DESIGN BRILLIANCE AWARDS 2008
Businessworld
राष्ट्रीय डिज़ाइन संस्थान
NATIONAL INSTITUTE OF DESIGN

# When God Died Young

**First they ignore you, then they laugh at you, then they fight you, then you win.**
**— M.K. Gandhi**

**by meera seth**

ILLUSTRATIONS: ANTHONY LAWRENCE

PRAHLAD SIRUR FELT LONELY AND STUNNED. SUDdenly, the colours of his world had changed from cheerful healthy spring to an eerie dark winter. Whatever it was that he was enduring was a confidential matter that would be improper to confide in friends. Prahlad was all of 23 and this was his very first job as trainee at Matio India. And at Matio, which had come to be an integral part of his life, it was curtains.

Friday evening was kids' Christmas Party at dad Jaggannath Sirur's office, Kafkat Enterprises. Sirur told his son, "Technically, you are my kid...hence, you do qualify to attend!" Prahlad grinned, "One condition; I get to wear Santa caps and blow disgusting whistles..." Sirur laughed and agreed. He felt a strange relief to see the lad joke. The past few days had found him withdrawn and wan.

At Kafkat, the god was verily Naushad Latif, the dignified CMD. Prahlad had grown up listening to stories about Mr. Latif — his commitment to ethics, his ever willing disposition to encourage the young to find meaning; his passion for growing dreams, and then, finally, his austerity. This one was a clear winner in the Sirur household. A recent story was showcased at the breakfast table for the four Sirur siblings to learn from: "Mr Latif was to leave for the airport at 5 p.m.," said father Sirur, "yet, he said he would leave at 4:50 to catch the paper*wala* outside the office building...and why? Because magazines and newspapers are priced far higher in the airport! So, learn from him, such a rich man, but uses his money carefully..."

Sirur worshipped the ground Latif walked; but for Prahlad's young mind, it all seemed very exaggerated.

And now, he saw the man himself, standing by the Christmas tree, adjusting a crooked star, accepting a Coke, shaking a hand...yes, he did have that air about him, thought Prahlad.

Just then, Shiv Ramdas came by, having noticed Sirur walk in with family. He had moved in to Bangalore from Mumbai only last week. Ruffling Prahlad's hair and then thumping him heartily on the back amidst a cacophony of delightful exchanges, Shiv hugged Prahlad and said, "*Arre, Padloo! Bada ho gaya tu*!...He was in class five when I left Pune!" he said to his wife, who he introduced to the Sirurs. "When I joined Kafkat after IIT, I was first posted to Pune, reporting to Sirur. This fellow used to steal chikoos from the chummrey garden!" Prahlad mumbled some polite sounds, unsure how he was to greet Shiv's wife and Shiv hugged him again, and said, "God bless you! So how is your cricket going?" Prahlad grinned and said "couldn't make it to the State under-15, then I gave up; Board exams have a way of destroying your spirit anyway!"

Shiv laughed, then he said, "Come, I am sure you had enough of jingling bells and red-nosed reindeers. Let us sit over there and you tell me

about Matio; dad says you are training there?"

They were like old buddies once again. For they shared a secret which had bound them for life. When he was in class six, Prahlad had been caught smoking behind the school water tank and suspended. He was told to bring his father to school. A desperate Prahlad had asked Shiv uncle to help out and Shiv had met with the headmaster as 'Prahlad's uncle'. Now they recalled that and laughed at the adventure. They recalled the old days, Chiman's german shepherd, and some local gossip. Then came a silence marking the end of section one. Presently, Prahlad said, "This CMD of yours...all of you worship him so much...how do you know he is what he portrays?"

Shiv was startled but had too much finesse to show it. He said, "We don't need to; we see the work, we see our customer base growing, we see the soundness of our products...we see employee delight...what more? If he is not what he portrays...even his products will be shallow."

Prahlad said, "And what if one day suddenly you discover that he is a hoax, a sham...?" Shiv suspected the lad was grappling with something deeper. Knowing the special place he shared in Prahlad's life, Shiv said, "OK, what happened?"

Prahlad made his decision, "Uncle, this is confidential stuff..." Shiv nodded. Prahlad spoke about his EVP, about Matio, the stuff going on, and how it was all very upsetting. "They hired me at campus," said Prahlad. "But within the first month, the EVP asked for me to work on his new project. It was very exciting. Then I started sitting in on meetings and hearing his conversations with others...I began to see and hear conflict. What I was seeing on paper, was not what he was telling people. In fact, what he told others was totally different. Plus, he would ignore all suggestions from his team and kept driving his agenda. At first, I thought, maybe I did not understand many things. Then I heard him talk over the phone to someone...it confirmed my thoughts... there was always this undercurrent of doing things which will benefit his family.

"He caught on that I sensed something and became increasingly uneasy with me. He would bad mouth me in front of my bosses, in front of the JV team.... Then I got some inside information that he was waiting for things to settle down before he got rid of me and I decided it was time to act..."

Shiv looked at him, a bit alarmed — *"Sack you?"* Prahlad looked desolate, "Yes, this morning." Shiv gasped, "Oh wow. And your dad does not know?"

"No," said Prahlad, "I will tell him on Sunday. Why spoil his weekend.... Anyway, when I got wind of his plans, I wrote an eight-page letter to the CEO detailing his unprofessional and unethical conduct and sent it on email. The CEO called both my bosses and they feigned ignorance because they didn't expect anything like this from me. In the end, it was my word (I was less than six months into the system) against a collective stand of three individuals who had worked for more than 10 years for the company. The decision for the CEO was simple. And that was carried out this morning.

**He now recalled the morning when he stood facing the CEO. Narin and Shukla were present too. Shukla spoke, "You are here to work and learn, not to become a politician."**

"I have never felt so terrible in my life. What did I do? He is so senior, the whole thing is extremely overpowering and defeating. It comes as a shock that grown-ups, who we are taught to respect, are so ordinary after all!"

Shiv felt a deep anguish. Such a shame, he thought. Then, he said, "When did you tell your immediate bosses?"

"Quite early on," said Prahlad. "But Narin, my immediate boss kept saying to me, 'why don't you make an issue of it, but don't take my name'... So I wrote the letter on Tuesday to the CEO and emailed it." He now recalled the morning when he stood facing the CEO. Narin and Shukla were present too. Shukla spoke, "You are here to work and learn, not to become a politician. We were proud of you until Mr Shenoy complained. You have been collaborating with suppliers...."

Prahlad could not believe his ears which were now hot with humiliation. *Sumit Shenoy says I am collaborating with suppliers*? Prahlad had turned to look at Narin hoping he would say something. Narin, on cue, bent to flick some trivia off his trousers, avoiding Prahlad's gaze. *If Narin supports me, why isn't he fighting for me?*

Shiv was contemplative as Prahlad continued, "This morning, they called me in, and they told me they knew 'everything' and I should go quietly. I have no idea what that means, but I feel sick."

Shiv looked at the agitated, disturbed 23-year-old before him. Sore over the shock of having dealt with lies, Prahlad said, "Apparently, everybody except me was OK with what Mr Shenoy was doing! After this experience, I don't get enamoured by elegance and admired greats. Sorry, uncle. No offence. I guess all organisations are the same finally. Just this morning, my school friend Daksh was telling me that the corporate world should run the country...I was laughing. I said to him, how does it matter who runs India if finally everyone is out to steal?"

Shiv sighed. He knew Prahlad was learning, experiencing life, albeit a bit too startlingly. Prahlad continued, "You know my dad, so you know how I grew up. My parents showed me the

world as they would like to see it. Sun, moon, stars, God, devotion, etc. And friends like you, who fitted into their imagination of the world as being a clean good place, who sit and talk to me about national pride about growth and big things...ha!"

Prahlad was disillusioned. In as little as six months, he had encountered disillusionment. He went on, "Daily I was battling the conflict in my mind; daily I saw the EVP and daily I thought, no, it can't be, he can't be making money on the side...for reassurance I sought my bosses, their clean looks, home-cooked food, religious marks on wrists and neck...the paintings on the wall, the gods and *aggarbatti* in the main hall of the office, all the rituals of devotion and stuff — You need to see all this through my eyes, uncle! The picture is so senseless!"

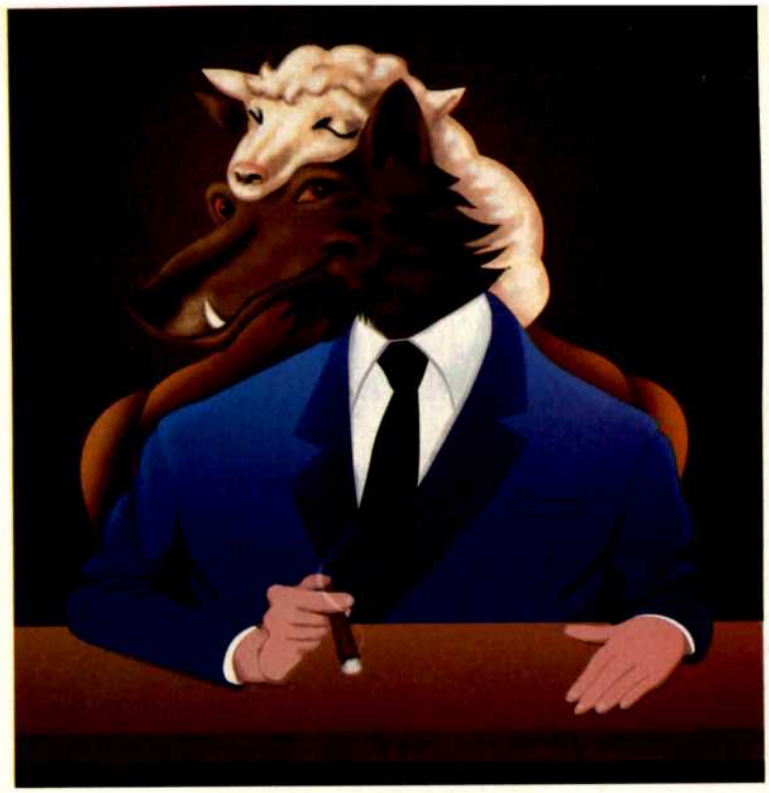
Hot angry tears of frustration glistened in those eyes. Shiv sighed again, "I am sorry you are disappointed..."

Prahlad's voice now grew severe, "I am angry, uncle! Angry! Because these very people, at the time of my interview, asked me, what is your religion, what does your father do? Then I had said forthrightly, 'How does it matter? What has religion or father's occupation got to do with anything? And they had said very piously, 'Lineage! Stock! Seed and tree!' These were the same people, uncle, with their caste marks on their bodies to peddle their faith, these very people who worried about lineage...*what is this*!!" Then, when his anger had decreased, Prahlad's voice cracked, "I will leave this country...it is disgusting!"

They remained quiet for a few minutes, then, Shiv said, "Let me share with you an experience from my life. Of course, our respective experiences occur in different eras, so need not be comparable. But first, let's get something to eat before that Santa finishes everything! That belly of his is real, by the way!"

As they walked back, Shiv narrated, "In my second year of college, I got seriously involved in college union activities, one of which was the Mandal Commission agitations. I was living in a hostel and we all believed that our futures had been put into jeopardy. Then, a student named Rajeev Goswami immolated himself in Delhi — this resonated with us. We planned a *rasta roko* on the only bridge that led into our town. We felt we were doing a great thing!

Within 45 minutes, the SDM (Sub-divisional magistrate) arrived with five police jeeps. This SDM had been my idol — he was from my home state and there had been a lot of song and dance over his IAS ranks, gold medals, etc. He grabbed a *lathi* and started hitting students himself , abusing in chaste Hindi. We all scattered and ran away, but ohhh, we became so indignant and furious.



**I am angry, uncle! Because these very people, at the time of my interview, asked me, 'What is your religion, what does your father do?' Then I had said forthrightly, 'How does it matter?'**

"We, then, decided we will stage another *rasta roko* and demand the SDM's dismissal or apology. We demanded that the Collector, the SDM's boss come and apologise. We decided we would not move unless he came. We got beaten again and, this time, jailed also. Then our parents had to come and bail us out.

My dad was furious, totally hopping mad. He put Rs 2,500 on the table at the police station and said to me in front of that same SDM, 'this is your third year college fees or the bail amount. Now go and earn and study if you want! If not, simply go to hell, but don't come home.' It was terrible — the SDM was grinning, it upset me so much! But then I knew dad did not mean the 'don't come home' bit. He would get it from my mom!"

Prahlad laughed loudly. Shiv continued, pleased to have amused Prahlad, "But that episode busted a lot of myths. I realised that educated, gold medalist IAS officers are equally capable of abusing when they need to. Mind you, I was a small-town boy and my idol was wielding a *lathi* and abusing like the movie chaps. Oh, how ugly people look when they are angry! And this was my state idol, ranked 2nd in the IAS exam!

"I walked away from all this for a whole day to ponder. The smartness of the police man's uniform, and the authority that it expressed, now looked ghastly. Then I had cried in anger and shame. I also realised something else. One, the police officer's gold medal or rank was useful to

become a policeman; but it could not be used to effect change! Two, whatever your education, you'll finally be who you are on the inside! Finally, what does it take to be educated, Prahlad? Just money, no? But to be honest? It takes guts!"

Prahlad's eyes had grown distant, as he asked, "And then what happened?"

Said Shiv, "I lost a year, but more than that it was what happened to me. I awoke to a feeling inside that I did not have determination, conviction. It bothered me for many many weeks to come. But that was the turning point in my life. I realised that it was fear that cost me conviction. Whatever I did then was an expression and an evolution of my thoughts.I, too, doubted and suspected authority. I too, reached out for an ideal world. I was frustrated that my world was not ideal!

"So, you will have idols falling and breaking, you'll be blocked from all sides as in a computer game; but we have to carry on. That is what builds character. The world was not meant to be perfect — after all, there were people here before you came! Some succumb to people like Shenoy and think they're successful. Or you battle, let your truth triumph and know *that* is successful. To know who you are, you have to face and encounter *who you are not — the Shenoys of this world*! If there was no challenge, how would you know if your values work for you?

"What you have been through is difficult at your age, because it raises serious doubts about the senior management. What is probably worse is, *becoming* senior management and then facing the world of business, where the likes of your EVP have snowballed and grown into large ogres who continue to get away with murder."

Just then, they were joined by Aroop Saxena, son of another colleague. Shiv went on, discreetly, "We, for example, are, today, faced by a competitor who is twisting policies and regulations to have them redefined, restated simply by virtue of its proximity to a very senior person in the government. So, we can soon be in the dog house unless we combat it, contest it, or harness media support, which is a huge black box in itself.

"There are large groups, whose motto is 'success at any cost' and there are companies like ours where values and ethics come first, always. Now this can be a challenge, let me explain.... For example Mr EVP will grow several levels through his methods, while you stick to your choices agonising over your 'to be or not to be' options daily. And then, the frustration will skyrocket one day and you will keep hoping that life will teach EVP a lesson and that he will fall and you will succeed and you will be rewarded for all your efforts and for staying honest.

"Chances are, EVP may still win! This might shake the foundation of your very faith. It might cause you to want the decline of competition's business with greater passion. It will be painful to see that it will never happen and you might often be tempted to compromise. Take us...for all the values we stick to, we are far lower in terms of business success paramterers when compared to Anemore and Restrak. Mr. Latif is unperturbed! Most of us here share Mr Latif's feelings and ideals...."

**So, you will have idols falling and breaking, you will be blocked from all sides as in a computer game; but we have to carry on. The world was not meant to be perfect — after all, there were people here before you came!**

Prahlad interrupted him, "How can you be sure that what you think is 'followership' is not sycophancy? How can you have a whole organisation of Latif clones?"

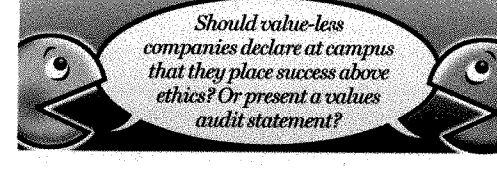
"Good question," said Shiv, "It has been my experience that likeminded people in an organisation are not an accident. If you stay alert, you will be drawn to where you belong. But I would like to think that my values, my choices, and my processes are not dependent on him. They could be inspired by him, but tomorrow, if I want to sail in a different direction, I would like to believe and know that I will find my way. And I will credit him with this confidence I have."

Aroop now spoke up, "You know I don't buy your theory. I am 25. Prahlad, at 23, cannot perch on a bunch of values; he won't grow! In short, you are telling him to become a saint! He needs to taste success first, and for that he has to break free of rules. He needs to take on life, hit back, challenge, punch a few chins... At Anemore, we have success, because we fight it out in the marketplace, we know the sharks, we play them and we play their game. For, to survive, you need show you have teeth, even if they are false. And if you choose to not bare them, then you are going to be the loser. Net net, all is fair in love and war! You can't sit back and say my values are such and such, so Mr Shark, bite all you want.... I believe you have to get into the bloody waters and hit out, lash and get bloodied yourself...only then you smell the sweet taste of success. It don't come easy!"

Shiv nodded. "Yes, I have heard that too. Well, there are guys who get attracted to value-based companies, and guys who get attracted to success; we all need to make choices. So too Prahlad needs to make choices early in his career what company he wants to keep..."

*casestudymeera@gmail.com*

**Classroom/syndicate discussion**



# ~~un~~achievable

## Collateral-free Credit for Micro and Small Enterprises.

**Be it start ups, expansion plans, technology upgradation, working capital requirements or diversification, all you need is a feasible business plan and you could fund your enterprise up to Rs. 50 lakh. *Ask your local bank today**. It's a small step towards growing big.**

**For more details log on to: www.cgtmse.in**
**Contact: 022-2654 1803/4/7**

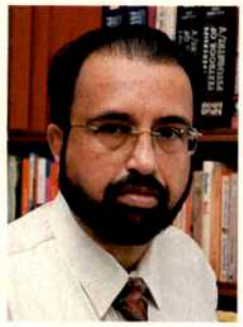
CGTMSE

सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट
(भारत सरकार एवं सिडबी द्वारा स्थापित)
**Credit Guarantee Fund Trust For Micro & Small Enterprises**
**( Set up by Govt. of India & SIDBI )**

*Member Lending Institutions of CGTMSE:
Allahabad Bank, Andhra Bank, Andhra Pragathi GB, Bank of Baroda, Axis Bank Ltd, Bank of India, Bank of Maharashtra, Baroda Eastern Uttar Pradesh GB, Canara Bank, Central Bank of India, Chaitanya Godavari GB, Chikmagalur-Kodagu GB, Corporation Bank, Dena Bank, Durg Rajnandgaon GB, Haryana GB, HDFC Bank Ltd., ICICI Bank Ltd., IDBI Limited, Indian Bank, Indian Overseas Bank, IndusInd Bank Ltd., ING Vysya Bank Ltd., Karnataka Bank Ltd., Karnataka Vikas GB, Kotak Mahindra Bank Ltd., Nainital - Almora Kshetriya GB, NSIC Ltd., NEDFi Ltd., Oriental Bank of Commerce, Pragathi GB, Prathama Bank, Punjab & Sind Bank, Punjab National Bank, Purvanchal GB, Saptagiri GB, SIDBI, South Malabar GB, State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of India, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra, State Bank of Travancore, Syndicate Bank, Tamilnad Mercantile Bank Ltd., The Bank of Rajasthan Ltd., The Federal Bank Ltd., The Jammu & Kashmir Bank Ltd., The Nainital Bank Ltd., The South Indian Bank Ltd., UCO Bank, Union Bank of India, United Bank of India, Vijaya Bank.

rajesh m. parikh

# To See Or Not To See



**Today's kids are their own heroes. Why not? Ours have failed them in so many ways**

THAT IS PRAHLAD'S DILEMMA. YOU CAN VISUALISE him. Contemplative, Shakespearean. Actually Avonish — the world a stage, something rotten in the state of Matio and *he*, Prahlad, pondering over a company trinket, perhaps, an oversize paperweight imprisoning the corporate logo. What should the young man do? Smash the glass ball or worship it? This case poses dilemmas beyond the ethical ones that the protagonist raises. Where are all the heroes? Have they withered away like flowers? Are there no replacements?

The other day a colleague of mine and I were chatting in the Barista near Jaslok Hospital. We watched the teens around us in fascination (Shakespearean aside, how do you identify a psychiatrist at a strip show? *He's* the only one looking at the audience!). Anyway, here we were studying youngsters (we were exchanging observations on ethics and role models).

My colleague observed that this young trendy crowd would actually have very conservative and, perhaps, even communal opinions. What of the Mahatma's and Nehru's legacy, I wondered. "Forget it," he argued, "they wouldn't know one from the other and it wouldn't even matter." "I grant the argument despite its exaggerated overtones," I countered. "But surely, they must have their heroes?" "Name one," he challenged. "I don't know, maybe someone very rich; let's say Bill Gates." "Out of touch with reality," he diagnosed; "watch."

He hollered to some kids across the next table pointing to me saying, "This dude (I am more than 50 years old and do not sport ear-rings) wants to know who your heroes are." Silence. "Who cares?" said one as he resumed sipping his over-priced under-caffeinated syrup. "Mine change by the hour — 15 minutes ago it was Saif," said his pretty companion. "Are you crazy?" screeched her under- garmented friend, "That Khan is no Shah Rukh!" "Let's get out of here — I'll pick up the tab," I conceded to my colleague. OK. Assumption accepted. There are very few heroes for young people today. And the ones in circulation have ultra-short half-lives.

Corporations usually have a work ethic, even if it is occasionally far removed from any semblance to ethics. To what extent can young idealistic, impressionable and yet, oppositional minds be crafted into the corporate mindset? Should they be?

More importantly, should the young management trainee ferociously guard his freedom of spirit and thought, or should it all be subsumed in a company's ethos? There are probably several points of view that are equally valid in such situations.

In case I am sounding like an economist, here's my take — Prahlad should stay on his path. Organisations such as Matio should, and will soon, become part of history. Today, more than at any other time, there is a tremendous diversity in corporate cultures. Prahlad and his soul-mates will find, albeit through trial and error, ones that embody their individual values.

Prahlad will thrive and work creatively for years in one such organisation and may even become another late Latif (without scrounging on the newspapers and magazines, I hope). That Prahlad's son will think of him as a complete idiot at the company's 2030 Christmas party will, in all likelihood, become yet another case study for us!

Perhaps, GenRangDeBasanti does not need heroes. Perhaps, heroes are disposable like paper cups. As one who believes that the future is getting better, I am convinced that these kids really know what they *don't* want — heroes who posture like cartoon or X-box characters.

These kids are smart — much smarter than we are willing to acknowledge. They are their own heroes. Why not? Ours have failed them in so many ways. My advice to the Prahlads out there — keep marching to your own rhythm, kiddos. Who knows, you might really change the world. Or vice versa. What does it matter anyway given our brief trajectory on this planet?

Yet, regardless of whether they emulate us or ignore us, is it not our responsibility to try — at least try to guide them with our actions? After all, if we don't, the white-collar thief or the hypercriminal rapper will inspire them.

Was it Bob Dylan who whined: to thine ownself be true? Was it Shakespeare who posited, "how many times can a man turneth his head whereby he pretendest he just doth not see?" I plan to ask the smart kids at Barista next week. Hopefully, one of them will pick up the tab for my Earl Grey (just foggid de coffee, man). Hopefully, Mr 50 Cents will not be the hero of the hour.

*Rajesh M. Parikh is director of Psychiatry Research at Mumbai's Jaslok Hospital*

# My God Needn't Die

**Admired companies are the outcomes of measuring the leadership within**

PRAHLAD'S DISILLUSIONMENT AND ANGER IS understandable. Before arriving at a solution, that is, joining a group that believes in values of ethical conduct or one where success at any cost is prized, let's review four important characters and the situations they represent in this case, namely Shiv Ramdas, Naushad Latif, Aroop Saxena, and Sumit Shenoy.

Let's explore Shiv. Fifteen years go, like Prahlad, his belief, too, was shaken when his role model, the gold-medallist IAS officer, abused and wielded a stick to quell a student protest! Then the threat from his father to return to the classroom! These experiences crushed Shiv's idealism, but did not destroy him completely. In spite of losing a year, he bounced back and found a job in Kafkat Enterprises, an ethical company under the "value-based leadership" of Latif.

Let's look at Latif, the widely admired CEO of Kafkat, a commercial enterprise that makes profit and keeps its constituents happy. Latif's ethics have built a company culture where individuals take decisions that benefit the customer and the company. Kafkat has become an institution where the allegiance and commitment of employees such as Sirur Sr. and Shiv is first towards a set of values and transparent conduct and then to its employees, its customers, its suppliers, and all other stakeholders.

Compare this with the abrasive, 'success-at-all-costs' culture of a company that is represented by Aroop! The likes of Aroop will also taste success, but the short-term commercial successes of such enterprises are invariably tarnished by several incidents of lack of transparency and unethical behaviour. Is there any doubt that Anderson and Enron were very successful enterprises when they were around?

Let's not forget another important reality — in the minds of talented persons like Shiva, there exists a list of companies and conglomerates that are commercially successful but do not command any respect because of their unethical business practices. Therefore, the most critical message that Prahlad needs to take away from his experience at Matio is this: there are organisations like Matio, but there are also organisations such as Kafkat — both commercially successful!

One's own personal experience, after all, is the best teacher and early negative experiences in organisations such as Matio are important early lessons. That Sumit and the senior leadership team in Matio are hand-in-glove, cashing in on the loose systems and processes of the company, to make money for themselves, is a common story in many successful companies. Given the premium position that such company products enjoy in the marketplace, it becomes that much more tempting for bosses in such companies to form small nexuses where the loot from high margins is shared. It is meaningless to make value judgements about such companies from the outside; what is, perhaps, more important is to become aware that such companies exist in the economy. Placement research shows unethical companies do not find a place in top B-school shortlists. Aroop and his "dog-eat-dog" behaviour is another example of a company culture that is based solely on survival of the fittest. Consequently, all individuals in such a culture will go for each other's jugular in moments of crisis. Parents must also take responsibility to sift and sieve the good from the bad for their wards, particularly if they are 25 and like Prahlad! They must define success in terms of personal investment in smart, ethical, transparent behaviour that benefits first the customer, then the company, and consequently, the individual. Experienced value-based parents, such as Sirur Sr., have it in them to evaluate careers built in the long-term with pride.

Shiv made this choice sometime early in his career in spite of early disillusionment with role models. Prahlad needs to explore this alternative, in spite of the early disillusionment, rather than lapse into depression about the dynamics of senior management. Latif's practice of "value-based leadership" is not necessarily old-school, but exists even among younger senior management teams. The companies led by such individuals produce world-class goods and services, generate reasonable returns for their shareholders, and attract talented employees into their ranks because of their culture. Such companies pride themselves for having installed systems of leadership development, whereby individual 'delivery of business numbers' is periodically assessed against another metric: 'consistently lives the company values'.

Admired companies the world over are outcomes of measuring the leadership within! Needless to reiterate, the Shenoys and Aroops of the world will, of course, find it difficult to adjust in cultures of transparent leadership assessment! The choice, therefore, for our young protagonist Prahlad Shirur is very clear!

*Manab Bose is currently executive director with private-equity investment firm Tamara Capital Advisors, Mumbai*

# State Of The Industry

**by gurbir singh**

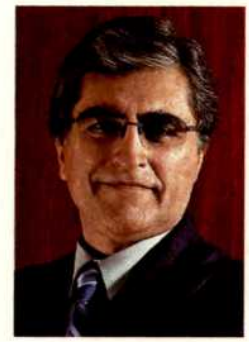
THE LATEST SUMMARY DATA ON THE MEDIA AND Entertainment (M&E) industry in the annual Ficci report prepared by PricewaterhouseCoopers (PwC) shows the sector has outperformed most others, and grown at a healthy 18-19 per cent clip over the past 4-5 years. Projecting the same compounded annual growth rate (CAGR) of 18 per cent, PwC estimates the M&E industry will more than double its size, from Rs 51,300 crore to Rs 1,15,700 crore, by 2012. Last year, too, the industry maintained its 18 per cent growth rate, moving from Rs 43,800 crore in 2006 to Rs 51,300 crore in 2007.

There's been some push by foreign investments that recorded a high of $211 million (Rs 850 crore) for 2007, but most of the wealth generation has obviously been driven by domestic players. In a financial year that has seen record foreign direct investment (FDI) inflow of $12.7 billion till December 2007, foreign flows into M&E of less than a quarter of a billion dollars is no big deal.

Within the maze of data, comparing the television and film sectors is interesting. At the turn of the century, the film industry — at around Rs 3,000 crore — was larger than the television sector. Somewhere around 2002, television outstripped the movie industry, and the gap since then has only widened. The PwC report puts television, worth Rs 22,600 crore in revenue, at the head of the M&E industry. With a higher-than-industry growth rate of 22 per cent, television is projected to touch Rs 60,000 crore by 2012.

Filmed entertainment, on the other hand, is seen growing at a steady 13 per cent, from a Rs 9,600 crore industry to Rs 17,600 crore in 2012. Even this could be PwC's optimism. Some media analysts have been extremely suspicious of film revenue figures since that sector continues to be as brazenly opaque as before. Enam Consultants, which tracks media quite closely, puts film's current revenues at around Rs 4,000 crore.

Here is the irony: Television, which relies on content almost entirely derived from Bollywood and other regional movie industries, has outperformed its parent several times over! For that the film industry has to blame itself.



**Television, which relies almost entirely on Bollywood for content, has outperformed it several times over!**

'Corporatisation' of the film industry, announced with much fanfare at several Ficci jamborees in the past, has remained largely on paper. Even as the exhibition network and technology has galloped ahead, the production and distribution arms continue to be in the feudal grip of a cabal.

The domination of a few male stars in Bollywood ensures that production of big releases is few and far between. Hrithik Roshan and Aamir Khan produce three movies between them over two years. And no new talent is allowed in.

Animation studios in India have never got going. Some have shut down. So here's an industry suffering from a thin movie content pipeline.

The lot of the music sector is worse. According to the PwC report, music revenues grew at a miserable 1 per cent in 2007 to Rs 730 crore. In 2012, the figure is expected to crawl to Rs 800 crore; this includes Bollywood music, which is the foundation of its movies and an integral part of Indian entertainment television.

For years, piracy has been touted as the villain of the piece, but aside from crocodile tears there has been pretty little action. The general consensus is that 50 per cent of the revenue of this sector is lost to pirates. Some projections say there has been an actual negative growth for this sector. Having the experience before it of the music and film industry in South-East Asia killed by pirates, Ficci's conclave 'Frames - 2008' would do well to address this issue.

Radio, on the other hand, could well be the ace in the media pack. A relatively small Rs-600 crore sector today, it is projected to grow three-fold by 2012. Thanks to FM Radio, 150 radio stations have so far been commissioned, and in Phase III, another 560 are in the pipeline over the next five years. Yet, a CAGR of 24 per cent from a low base is not good enough. More so in a country that has millions of listeners and lots of power outages that render TV sets useless. Revenue is still eluding the sector because advertisers have not realised its worth and reach. Private players have resolved the issue of high licence fees; but they still have to lobby hard to get rid of the government's inexplicable and regressive ban on broadcasting news by private radio stations. Once the ban goes, news will open up a wider spectrum of listenership.

*gurbir.singh@abp.in*

# Not Just A Logo But An Initiative That Will Benefit 65 Lakh Weavers & Protect A Rare Skill & A Proud Legacy

Shri Shankersinh Vaghela
Hon'ble Minister of Textiles, Govt. of India

Smt. Sonia Gandhi
Hon'ble Chairperson, UPA

Dr. Manmohan Singh
Hon'ble Prime Minister of India

Shri E.V.K.S. Elangovan
Hon'ble Minister of State for Textiles, Govt. of India

# Handloom Mark

## The Assurance of Real Handloom Creations

**Handloom**

Every product that bears the 'Handloom Mark' certifies the authenticity of the product being an original hand-woven produce created by 6.5 million handloom weavers

**Office of the Development Commissioner (Handlooms)**
Ministry of Textiles, Government of India
www.handlooms.nic.in

**Textiles Committee**
(Implementing Agency)
Ministry of Textiles, Government of India
www.textilescommittee.gov.in

India's rich heritage. Use Handloom products with pride

sananda
সানন্দা
the world within her

# naba barsha

The Bengali New Year or *Naba Barsha* is just round the corner. The *Sananda* woman is gearing up to splurge guilt-free... to celebrate the festive spirit by shopping for herself and her loved ones.

But she's waiting. Waiting for the *Sananda Naba Barsha* special...to search for her best fit from the world of fashion, trends and lifestyle. But you can't wait. Book your way into this special number, today.

And see her riches convert to your revenue.

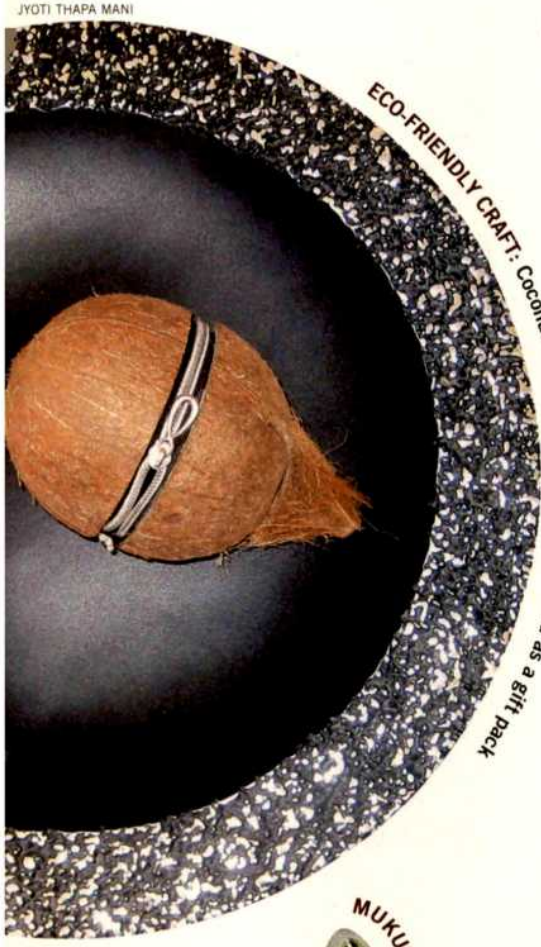
**For business information contact:**

**Bangalore** Atithi Samanta 9845047944 **Chennai** Anantha Krishan 9840970776 **Delhi** Anirban Bagchi 9811040043 **Kolkata & Rest of East** Abhiroop Ghoshdastidar 9748004498 **Mumbai** Bipasha Roy 9821602929

DESIGN

# Craft of Design

JYOTI THAPA MANI



ECO-FRIENDLY CRAFT: Coconut with a zipper that can be used as a gift pack

**Surajkund Art Galleries is the perfect platform for craft-based designers to display their talent**

BUILT NEXT TO THE STEPWELL OF THE 10TH century Surajkund, nestled amidst bamboo groves and rocks, Surajkund Art Galleries is the perfect place for appreciating and acquiring designer craft.

The recently opened gallery is a unique bridge between India's craft traditions and its qualified designers. It has been promoted by the Ministry of Textiles in collaboration with Haryana Tourism and several qualified craft-oriented designers to preserve the tradition of Indian craft and make it current. These galleries showcase and retail the work of qualified designers practising with different materials such as textiles, wood and metal, working closely with traditional artisans. Importantly, traders are not permitted here; only designers can lease these galleries.

At present, 15 designers from celebrated institutes, such as National Institute of Design (NID) and National Institute of Fashion Technology (NIFT), have leased galleries here. "We handpicked qualified designers practising with different materials and traditional methods," says Chandrashekhar Bheda, a member of the designers group that worked with government agencies to set up this complex. Fifteen more

**MARBLE MARVEL:** 'Bird' lamp crafted out of hollowed marble by Chandrashekhar Bheda

MUKUL GOEL: Sculpted metal clamp for note pad

JYOTI THAPA MANI

**TRUE TO TRADITION:** Tussore silk stoles by Chandrasekhar Bheda

galleries are to be built as the waiting list of designers gets longer.

Mahesh Borse, a seasoned designer who was also part of the designer think-tank advising the government on this project, says that the site for the galleries was chosen near the existing bamboo groves to give them the charm of cottages. Borse's footprint extends to Europe and the US, where he has participated in about 60 textile fairs. Here, he is showcasing his signature style of bright weaves based on the techniques of jacquard and dobbies. "Jacquards allow for bigger repeats, layers and colours while dobbies allow for patterning like bootees," he says.

Bheda, a designer who works with textiles as well as wood, marble, stone and leather, is presenting a collection of textile design, including stoles, in Bhagalpore Tussore silk and saris in Mangalpuri cottons.

Gurpreet Kaur Sidhu, a designer with flair for colours, has created bags using recycled car tubes. Fashion designer Bharati Bhalla has a beautiful display of dresses in a perfect spectrum with tastefully grouped colours and shades — from bright colours to rich blacks and pristine white — making it easier to zero in on your favourite colour. Anupama Singh experiments with craft techniques in a medley of home accessories of every conceivable kind.

Product designer A. Balasubramaniam, who is also the Dean of IILM School of Design, Gurgaon, has spent decades working with grassroots artisans from India and Pakistan. His gallery offers intricate embossing and embellishing work on leather, wood and metal accessories. The retail display of Mukul Goyal, Fellow of Royal Society of Arts, London, and a graduate of Milan's Domus Academy, matches the ingenuity of the design items. S.G. Ranjan and Bindoo Ranjan are presenting their creations made with materials such as stone, bamboo and jute.

Among other designers showcasing their work at Surajkund Art Galleries are textile designers S.M. Kulkarni, Promil Pande, Ritu Agnihotri, fashion designers Preeti Ghai and Rakhi Sethi; handicrafts designer Vishal Kapoor; lifestyle designers Manish and Yamini Iyer; and leather designer Dibyendu Mukherjee.

Still, this craft designers' paradise too has its sources of discontent. While many designers are waiting for additional galleries to be built, a few galleries remain closed most of the time. Two of these, incidentally, belong to internationally acclaimed fashion designer Ritu Beri.

*Jyoti Thapa Mani*

**MAHESH BORSE:** Expresses his mastery over colour coordination through traditional weaving techniques

JYOTI THAPA MANI

**ART HUB:** Surajkund Art Galleries is a permanent platform for craft-based designers

# Mumbai's most preferred business destination

**Ventura**, the new launch at **Hiranandani Business Park, Powai** offers an exciting opportunity for top corporates looking at cutting-edge business. An address that brings the flexibility of a 24x7 work ambience, a state-of-the-art infrastructure and a convenient, prestigious location.

**Hiranandani Business Park, Powai** is currently catering to more than **200 top Companies** from diverse industry segments such as IT/ITES, Engineering, Shipping, Retail, Banks, FMCG etc.

Space available for Commercial offices, Retail and IT/ITES users.

## Ventura

**trategic Location:**

Fastest Growing Business Park in Mumbai with more than 200 corporates working out of here

Proximity to International & Domestic Airport and Western & Eastern Express Highway

12 Banks

Multi-Specialty Hospital

Retail and Entertainment

- **Space available at Ventura only on lease**
- **Limited space available at Kensington 'A' wing (IT/ITES) SEZ, Powai, ready for fit out only on lease**

**Hiranandani Business Park**

Commercial Offices | IT Park | SEZ | Retail

Growth beyond boundaries

Powai, Mumbai

Corporate Office: Olympia, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076. • E-mail: bizpark@hiranandani.net • www.hiranandani.com

**Tel.: +91-22-2576 6786. 2576 6745. 98205 48173. 98195 00038**

## Entertainment

### *DESI* ROCKS

IN A COUNTRY WHERE film music is the staple of the average listener, rock bands singing in regional languages and fusing with regional music are beginning to find their audience.

"Music does not need a language, you can play a drumbeat and connect with the world," said an exhilarated Rex Vijayan, guitarist of Malayalam rock band *Avial*, to a satiated audience after a recent performance in Mumbai.

Marketers are beginning to use the growing popularity of '*desi*' bands during brand promotions and activations. The UB Group, for instance, sponsored English band *menwhopause's* UK tour but has roped in a Bangla band *Bhoomi* for its marketing and promotion activities in Bengal.

The *desi* bands also owe their turn of fortune to events such as Levi's Great Indian Rock Festival, which provide them with a critical platform to perform and be recognised.

In fact, as the market for non-film music grows, more youngsters are learning to rock and to address their local milieu in their own language. Many harbour dreams of becoming the sultans of swing while keeping their day-time jobs.

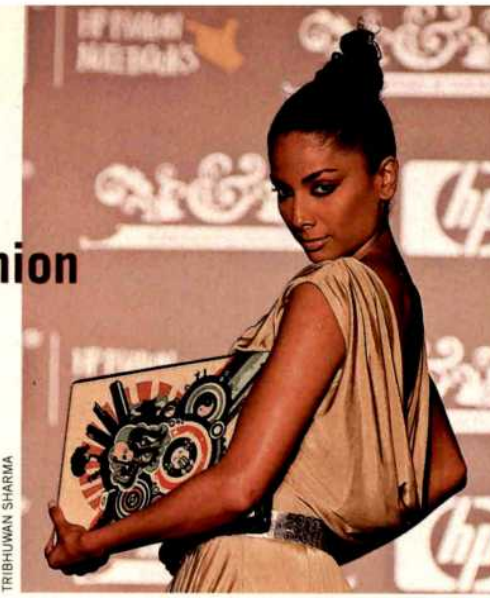
Mumbai's Raghu Dixit has formed a band, The Raghu Dixit Project (RDP), as an open band where his own folksy tunes and voice are the only constant. Collaborations with various musicians and lyricists happen as and when they are available.

So, doing covers of western bands or Bollywood bedlam are not the only career options for the *desi* rockers. There is a growing audience for the original *desi* rock.

*Manashwi*

STYLE

## Laptop fashion



TRIBHUWAN SHARMA

FASHION HAS DESIGN on the labour tools too. Laptop skins are increasingly being given couture treatment and they are being personalised through features such as face and finger recognition. Colours, textures and designs now complement the electronic guts of this work horse.

For example, Sony Vaio TZ27 comes in golden, red and black colours while Lenovo Y510 series bears a dark silver skin with mountains designed on them. The Lenovo laptop also has Dolby 4.1 home theatre speaker system.

To overcome their utilitarian image, laptop brands are using Bollywood style icons such as Hrithik Roshan, Shah Rukh Khan and Saif Ali Khan as brand ambassadors. Recently, marketers have taken to ramps to add lifestyle appeal to laptops. Hewlett-Packard paraded American tennis star Serena Williams with its products in Delhi recently and electronics retailer eZone is organising 'Intel-eZone Laptop Fashion Week' around the country.

If you do not like the off-the-shelf laptop couture, you can be your own designer. Websites such as the Seattle, US-based Schtickers.com convert your favourite picture or design into a laptop skin that is removable and reusable. They also offer ready-to-use laptop skins. That takes care of any wardrobe malfunction that may occur.

**COMPUTER AS ACCESSORY:** Laptop skins can be personalised to match with one's dress

*M. Rajendran*

**Easter Art:** A display of eggs painted with colour wax technique in Lehde, Germany. Germans have a tradition of eating painted eggs on Easter day

REUTERS

PHOTOGRAPHY

# A vexed identity

SHE IS WRINKLED WITH age and her house is not a pretty sight for lack of upkeep. But Christine Fernandes still holds that stiff upper lip in place and dresses up to be photographed. Post-colonial India has been a confusing place for the Anglo-Indians as they belonged to Indian soil and English spirit in equal measure. By language, manners and customs, they have been the foreigner-natives of India. Many have migrated to Europe and Australia since the British retreat from India. But many remain, trying to hold on to a lineage that started in the local dalliances of the East India Company's expats, but grew into a regular social segment as Anglo-Indians bred among themselves and many Britons chose to marry locals and stayed on in India. Irwine Allan Sealy, an Anglo-Indian writer, characterises the community as the first modern westernised Indians "who will speak the father's tongue and yet eat the mother's salt".

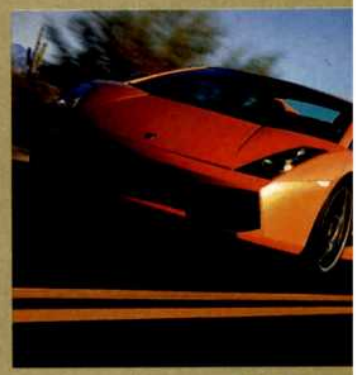
Dileep Prakash, formerly the head of the photo department at *BW*, has captured the changing face of the Anglo-Indian community through a set of eloquent portraits as it is getting assimilated into the India's larger communities and struggles to retain its legacy and identity.

Having showcased his pictures of Anglo-Indians at Goethe Institute in Frankfurt, Prakash is now exhibiting these pictures at PhotoInk Gallery in Delhi.

**A PORTRAIT OF TIME:** Christine Fernandes is a proud Anglo-Indian

BON VIVANT

# Second-hand luxury



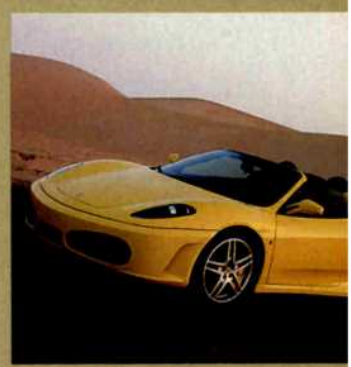
SECOND-HAND LUXURY IS A BIT OF AN OXYMORON. There obviously is no status gained in using a pre-owned thing, howsoever expensive. Yet, there are factors in luxury consumption beyond shocking and awing others. What also matters is the rarity of desired items, or the buyer's impatience or savviness.

Typically, the ego-driven tend to go for the fresh and the latest, whereas the finesse-oriented focus on the deliverables. This diversity suits both kinds: the latest-chasers are able to make space for the new super car or super yacht while the savvy can get a proven article at a discount. For example, in India, the 1-2-year-old *Ferraris* and *Lamborghinis* are available for 15-20 per cent less than their sticker price. Of course, the quantity of supply decides the discount, or even premium.

In the case of yachts, it is just not possible to buy your dream boat off the shelf. Every luxury yacht is custom built and takes months to be delivered. Also, it makes sense to acquire a perfected yacht ready with a crew. India's super billionaires — Vijay Mallya and Laxmi Mittal — have acquired second-hand yachts paying several million dollars.

The rare items, in fact, cost a lot more than the freshly minted beauties because of their exclusivity. Vintage Ferraris go for millions while one can get a new one for a couple of hundred thousand dollars.

However, being savvy requires patience and diligence — explore, study and consult like a maniac. And, do brush up your bargaining skills.



GETTING SOMEWHERE: Ramp shows delivered good business

PHOTOGRAPHS: AMIT VERMA

FASHION

# Coming of age

**Business, for a change, overshadowed the ramp at India Fashion Week in Delhi**

LAST WEEK, DELHI'S RATHER STAID AND SLIGHTLY run down Pragati Maidan played host to one of the country's premier fashion events — the Wills Lifestyle India Fashion Week Autumn/Winter 2008. Although nowhere close to the historicity and aesthetic sensibilities of its Parisian (the Louvre Carousel) and London (the grounds of the Natural History Museum) counterparts, the venue might just go down in history as the place where the Indian fashion fraternity finally found its business feet.

The week was kicked off by Vikram Phadnis, who also designs for films, and ended with a combined show of Anamika Khanna and Ashish Soni. In the interim, more than 80 other designers — including veterans such as Rohit Bal and Suneet Verma and newcomers such as Ruchira Kandhari and Gayatri Khanna — showcased their designs. And occupying the front row seats amidst the usual suspects of celebrity friends, exuberant family members and socialites were more than 100 buyers, both national and international.

From what was seen on the ramp, it would appear that the designers took note of this audience. "We are seeing a trend emerge, where certain designers appeal to international clientele and there are designers whose core market is India," says Sumeet Nair, executive director of the Fashion Design Council of India. This fact is underscored by Japanese buyer Tomoko Inuzuka's reaction to the fashion week. Inuzuka, a buyer for the BEAMS store in Tokyo, has been buying regularly from Manish Arora whom she first spotted in London three years ago. "I did not like a lot of the shows, but Tarun Tahiliani and Niki Mahajan had beautiful clothes and I will be back to see them again," she says.

The rather impressive looking list of buyers included, Biffi of Milan, US-based Bloomingdales, the Parisian store Galleries Lafayette and Moda In of Kuwait. And they were not disappointed. The ramp came alive with garments that were both creative and wearable. But while most eyes were on the ramp, it was the 'stalls' where the transformation of the fashion week from a social event to a business one, was most visible.

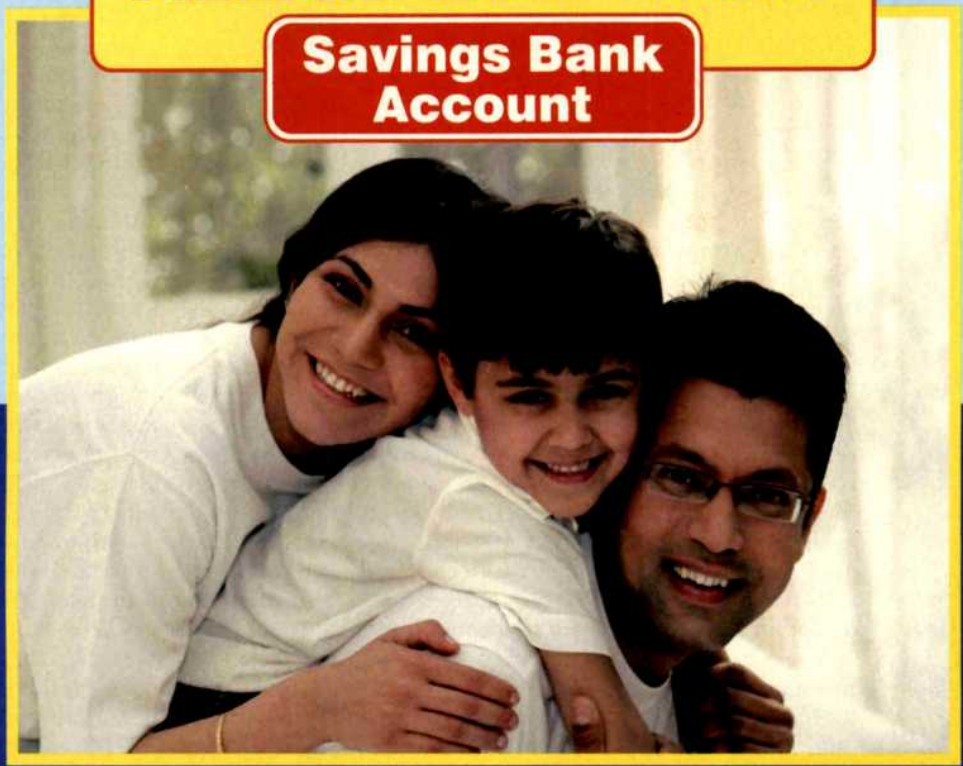
"I have had buyers coming in all days and I have just been filling in order forms," said designer Charu Parashar, whose experience was not an isolated one. Although it may be a while before Indian fashion does not need a fashion week to sell itself, at the moment it seems to be providing the right platform.

*Sumati Nagrath*

Enjoy a host of BENEFITS and PRIVILEGES

# ALLAHABAD BANK

## Savings Bank Account



- Free Personal Accident Insurance Cover of Rs.1 lakh*
- Life Insurance of Rs.1 lakh at low premium*
- Free International Debit cum ATM Card*
- Instant credit of outstation cheques up to Rs. 15,000/-*
- Withdrawal of cash at any CBS branch*
- Demat Accounts at selected branches

*Conditions apply

*Har kadam aap ke saath*

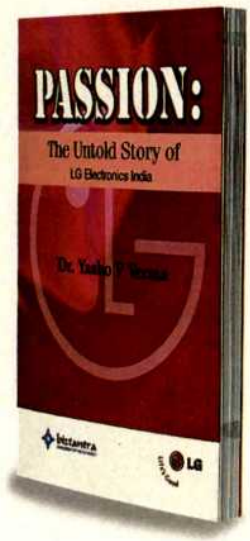
*For more details contact your nearest branch*

INDO ARYAN - 2007

इलाहाबाद बैंक
(भारत सरकार का उपक्रम)
विश्वास की परंपरा

ALLAHABAD BANK
(A Govt. of India Undertaking)
A tradition of trust

www.allahabadbank.in




# The Driving Force Behind LG

by P. Vaidyanathan Iyer

**PASSION THE UNTOLD STORY OF LG ELECTRONICS INDIA BY YASHO V. VERMA BIZTANTRA, PAGES: 191; PRICE: RS.299**

TOGETHER, LG AND SAMSUNG, THE TWO KOREAN chaebols, have in the last decade or so, taken the steam out of most domestic and other European consumer electronics companies in India. The way the two have worked to get a strong foothold in the huge and rapidly growing Indian market is a story worth telling. Yasho V. Verma, director (human resources and management support), LG Electronics India, gives a good account of how LG made its mark in India, despite two failed attempts through the joint venture route. Many foreign brands, you may recall — including Grundig and Thomson — could not sustain their operations in the highly competitive domestic market and pull the price-sensitive Indian customer their way.

In *Passion: The Untold Story of LG Electronics India*, Verma gives a good account of not only LG's rise in the last decade but also the way Koreans, or should I say LG, recruit(s). In one of the meetings just prior to being offered a position in the company, three senior Korean managers simply sat with him for about 15 minutes without exchanging a single word. Verma reveals that they had done an intensive background search on him and the meeting was organised only to observe his body language!

The company grew at a compounded annual growth rate of 62 per cent during 1997-2005 and posted $1,456 million in revenue in 2005. Verma quotes GFK-ORG to claim that in 2006 the company was the market leader in colour televisions, refrigerators, air conditioners and microwave ovens in India. That is spectacular growth in a market where customers look for value on every rupee spent.

The book details the company's focus on customers and sales, its HR practices, the quest for innovation, and how cultural issues are tackled between expatriates and Indians in an organisation with 2,900 employees in 2005. But, what really grabs one's attention is the book's layout — information has been presented in different modules on each page. To ensure that the reader is updated, excerpts from international magazines, such as *Fortune*, or an interview of LG Electronics India's CEO with McKinsey & Co, have been introduced as blurbs on each page. And each chapter begins with a five-point summary, telling the reader what to expect.

Verma doesn't hesitate to share the details of the chaos in the organisation during its initial years in India, which led to slow decision-making, and some high profile exits. While, it may hold some lessons for management students, the book offers very little to others. What redeems it in part are some of the anecdotes, that only an insider can provide. For example, his recounting of a senior executive's exit. The head of sales and marketing quit sometime in 1999 because of changes brought about to improve sales in various product categories. "He failed to understand that these measures were not being taken against him personally; nor were they a verdict against his performance...." In the very next paragraph, Verma, however, adds, "His departure was in a way good, as it immediately fed momentum into the reform process that had already been set in motion...."

But, Life is Good at LG. Or, is it? Targets at LG Electronics India are stretched and taken seriously by everyone, Verma admits. K.R. Kim, CEO of LGEIL wants the company to be a $10 billion business by 2010. The company posted sales of Rs 8,250 crore in 2006 and hoped to achieve Rs 9,500 crore in 2007. By 2010, the turnover has to grow to Rs 40,000 crore, roughly a CAGR of 60 per cent, similar to that in the previous years, but on a much bigger base. Obviously, sales executives and product group heads have a tough time meeting targets. Interestingly, while Verma notes that an execu-

**YASHO V. VERMA,** is a management philosopher and a management practitioner. He is currently Director (HR & MS) at LG Electronics India and has been with the company since its inception in 1997. He is an engineer with a Masters in Personnel Management and Industrial Relations and a Ph.D in organisational behaviour from IIT Kharagpur. He started his career with Tata Steel at Jamshedpur, working there for over 12 years.

**BROWSING**
**Sudhir Narang**
Managing Director, BT India

**At the moment, I am reading Conversation with God by Neale Donald Walsch. The book, which was referred to me by a close associate, has helped me learn that I need to question my conscience and introspect at all times. It has taught me that I need to seek an explanation from my inner self on decisions I take as they affect my family, our employees and customers. I usually read books that weave matters of spirituality and management.**

tive in the company's corporate office comes to work at 8.40 a.m. and leaves for home at 6-6.30 p.m., he doesn't mention the departure time for sales executives and product group heads. While they too reach office at 8.30 a.m., Verma has not said when they get back home!

Verma insists and takes pains to convince readers that the company is an exception to the rule that companies that are very target-driven, are not employee-friendly. He says, "Our philosophy is that because our targets are sacrosanct, we have to be an employee-driven company."

While Verma is eloquent about how LG India got it right all along, he has left it rather open-ended about what the future holds for the chaebol. He talks about the new challenges in the marketplace with the Indian economy growing at a rapid pace, but offers little on how LG could push itself and its workforce further. Does he have a sequel in mind?

**SELECTION 1**

## The Closeted Other Half

**THE PREGNANT KING BY DEVDUTT PATTANAIK PENGUIN INDIA, PAGES: 349; PRICE: Rs295**

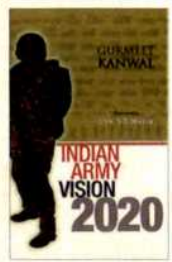
SOME CLAIM THAT THE Mahabharata is the world's greatest epic, while some have challenged its authenticity claiming it to be heavily biased in favour of the Pandavas. Nonetheless, one can't deny that the Mahabharata does have some of the most interesting and beguiling characters ever conceived by the human mind. Devdutt Pattanaik would agree. Author of 11 non-fiction books on Indian mythology, Pattanaik makes his entry into fiction with his latest offering, THE PREGNANT KING. Pattanaik uses some peripheral characters from the Mahabharata to weave the tale of the pregnant king Yuvanashva.

What begins as a seemingly long-winded and copiously detailed dissertation on ancient Indian tradition and mythology soon transforms into a lucid and gripping narrative with some really powerful characters to keep the reader engaged. *The Pregnant King* is not only the tale of Yuvanashva, but of several characters coping with an ambiguous sexuality, all for different reasons. There is Shikhandi, who would give anything to be a man so that he can protect his father Drupad's honour; Somvat, who exchanges his genitals for those of a woman's so that he can spend the rest of his life with the man whom he considers his soul mate; there is Shilavati, Yuvanashva's mother — perhaps, the most fascinating and the most complex character in the novel — who refuses to give in when compelled to renounce kingship because she is a woman. Yuvanashva acts only as the fulcrum of these tales bringing a balance between the worlds of men, women and those in between.

Pattanaik often uses his narrative to comment on the inequities in the Hindu tradition and the often unjust tenets of dharma. He could've ended up sounding preachy and didactic, but the simplicity of his language and the honesty of his tone make sure that he doesn't.

*—Jayant Singh*

**SELECTION 2**




## Loading Up For The Future

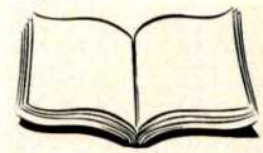
THE MORE THINGS CHANGE, the more they remain the same. Wars — limited wars, all-out wars, guerrilla wars, insurgency, terrorism — have been around for as long as humans have tried to group themselves in 'civilised' societies. Yet, future continues to elude certainty and continues to frustrate a state's quest to overcome vulnerability from the threatening outsiders and even its own people. It always distils down to capability for anything as throwing arms and men at a known threat makes the threat change shape. So, in INDIAN ARMY VISION 2020 (HarperCollins), Gurmeet Kanwal argues that as the Indian Army tries to get future ready, it has to become light, lethal, and connected. At the proactive level, it has to be threatening enough to deter attacks on India and at the reactive level, it has to be fast and precise in taking out the threat quick time without causing significant collateral damage.

Kanwal's treatise is timely as the Indian Army is in the middle of its most ambitious modernisation programme ever, trying to get future ready by adding not only more precise and more lethal weapons but also acquiring substantial capability in the areas of early warning systems, command and control networks and air power.

Though much of the book may seem like an old bullet in a new barrel, it is engaging enough for the students of Indian military strategy and its future course under the growing unpredictability of threats and also the possible scenarios of a nuclear war with Pakistan or a border war with China.

*—Feroz Ahmed*

**ALERT**



**THE FORTUNE COOKIE CHRONICLES: ADVENTURES IN THE WORLD OF CHINESE FOOD**

**BY JENNIFER 8. LEE**

**TWELVE**

**Jennifer 8. Lee - whose middle initial is Chinese for prosperity - takes us on an epicurean journey through the social and cultural history of the Chinese immigrant community in the US. With a search for the origins of the customary after-Chinese-dinner treat - the fortune cookie, Lee wanders into the world of Chinese takeaways, paper companies in Brooklyn and Jewish homes. The result is a meticulously researched, well written and insightful narrative that is part memoir, part travelogue and part economic history.**

# Exclusive Growth

THE NAXALITE MOVEMENT HAS SPREAD TO 165 DISTRICTS stretching from the Nepal border across Bihar, Jharkhand, Orissa and Madhya Pradesh to Maharashtra. While the movement has not challenged the state governments so effectively as extremist movements did in Kashmir or the Northeast, its sheer geographical spread makes it a serious threat. For a country that is trying to reap the benefits of integration with the world economy, any source of insecurity is bad news. Violence in Chhattisgarh may not be such big news as in Kashmir; but its impact on the reputation and the authority of the Indian government is similar. As is its wont, the government appointed a commission to look into the issue in May 2006. Its report, just submitted, is unlikely to see the light of day soon if ever, in view of its security implications. But whatever has leaked out suggests that the report is a well-considered one; its release may embarrass the government in some ways, but it will go far towards educating public opinion and generating debate.

ABP

**Our hills, forests, our tribes are a precious heritage; once destroyed, they cannot be recreated. Let us keep them as long as we can**

The report goes in some detail into the consequences of large, land-intensive projects that are being located in the Chhota Nagpur hills, stretching down to the east coast. This area is rich in iron ore and coal, and is a magnet for large steel projects. The world's best and biggest steel producers are attracted to it, and chief ministers are thrilled to pose with big industrialists and announce the forthcoming investment of billions. But this easily won publicity turns negative once the concessionaires try to acquire land for their mills. Villagers obstruct them and refuse them access. Eventually the government uses force to evict the villager. But the attendant negative publicity undoes the good the project was intended to do, and, no doubt, deters other investors.

Apart from these changes in international perception, we should be concerned about the human dimension of these evictions. In many cases, people who have lived in the same place for millennia are being uprooted; with them is destroyed a culture, a way of life. There is cruelty inflicted upon a defenceless people by their own government, a government that claims to be democratic. There is something deeply disturbing about the inhumanity of the process.

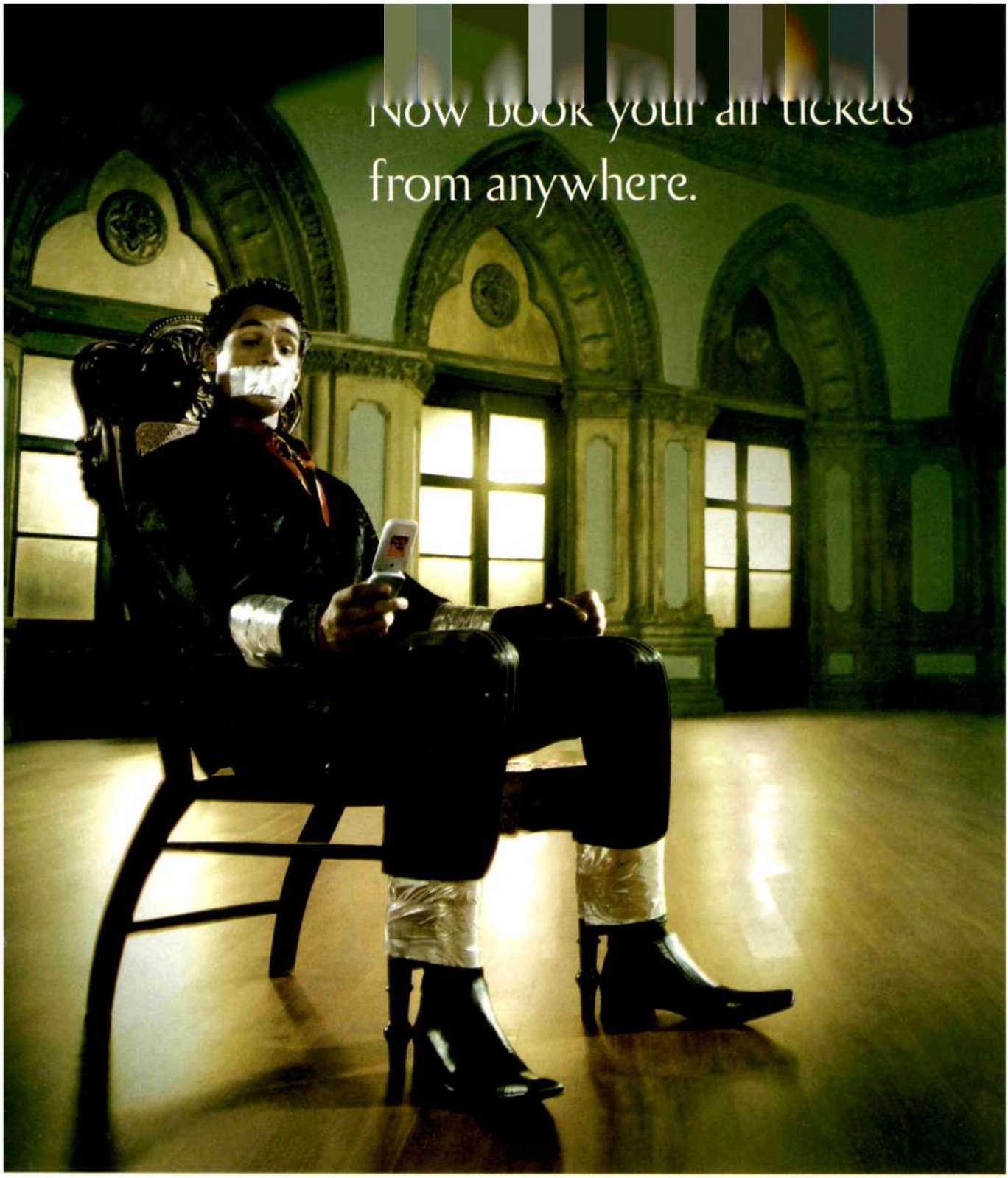
The same process works so differently i other parts of India. In Gujarat, the governmer keeps a portfolio of real estate; an outside ir vestor that wants to set up industry is given lan within days without any trouble. In Maharash tra, the price industry pays for land is such tha farmers can retire on the proceeds of their sma farms. In Tamil Nadu, labour is so scarce tha ricefields are being converted into coconu plantations; if an industrialist comes and offe to buy them out, farmers are delighted.

The difference arises because farmers in th west and south can find other things to d whereas the tribal villagers in the east kno only one way of life. Further, farmers in the we are financially sophisticated enough to tur compensation into an income stream; those i the east are unfamiliar with money, and mone and they are soon parted. It is not so much a di ference between the east and the west; the tril als who were displaced by the Narmada da had any equally tough time as their easter equivalents, although they lived and worke close to a sophisticated, industrialised society.

Can these tragedies be prevented? Diehar developmentalists will say they are inevitable; the country is to exploit its resources, buil dams, mine ores, make ingots, then it has to di place tribals. They will point to the generou compensation given. It is not as if people are b ing killed; they are merely being turned int landless labourers, which is a perfectly norm thing to be in this country.

But it needs to be said that dams and ste plants are not the only ingredients of develo ment. Bombay has lost all its industry and still rich. Kerala is still well off and beautifu Europe's industrialised countries have bee deindustrialised in the past thirty years as the industries could not face East Asian compet tion — and yet they have continued to gro richer. Why just Europe? Even India has b come more of a service economy as it has grow more prosperous.

Above all, our hills, our forests, our tribals - there is nothing like them in the world. On they vanish, it will be impossible to recrea them. Let us preserve them as long as possibl They too will change, but let them do so slowl gracefully, willingly. Development can bring u a more comfortable living. But let us not kill ou conscience to make ourselves a bit richer.




**Jet Airways introduces Mobile Ticketing.** Now book air tickets from your mobile phone no matter where you are. What's more, you can cancel as well as avail refunds through this secure service. To start booking, simply SMS JetWallet to 56388 from your GPRS enabled phone or log on to www.jetairways.com/mobileticketing/ and download the application now!

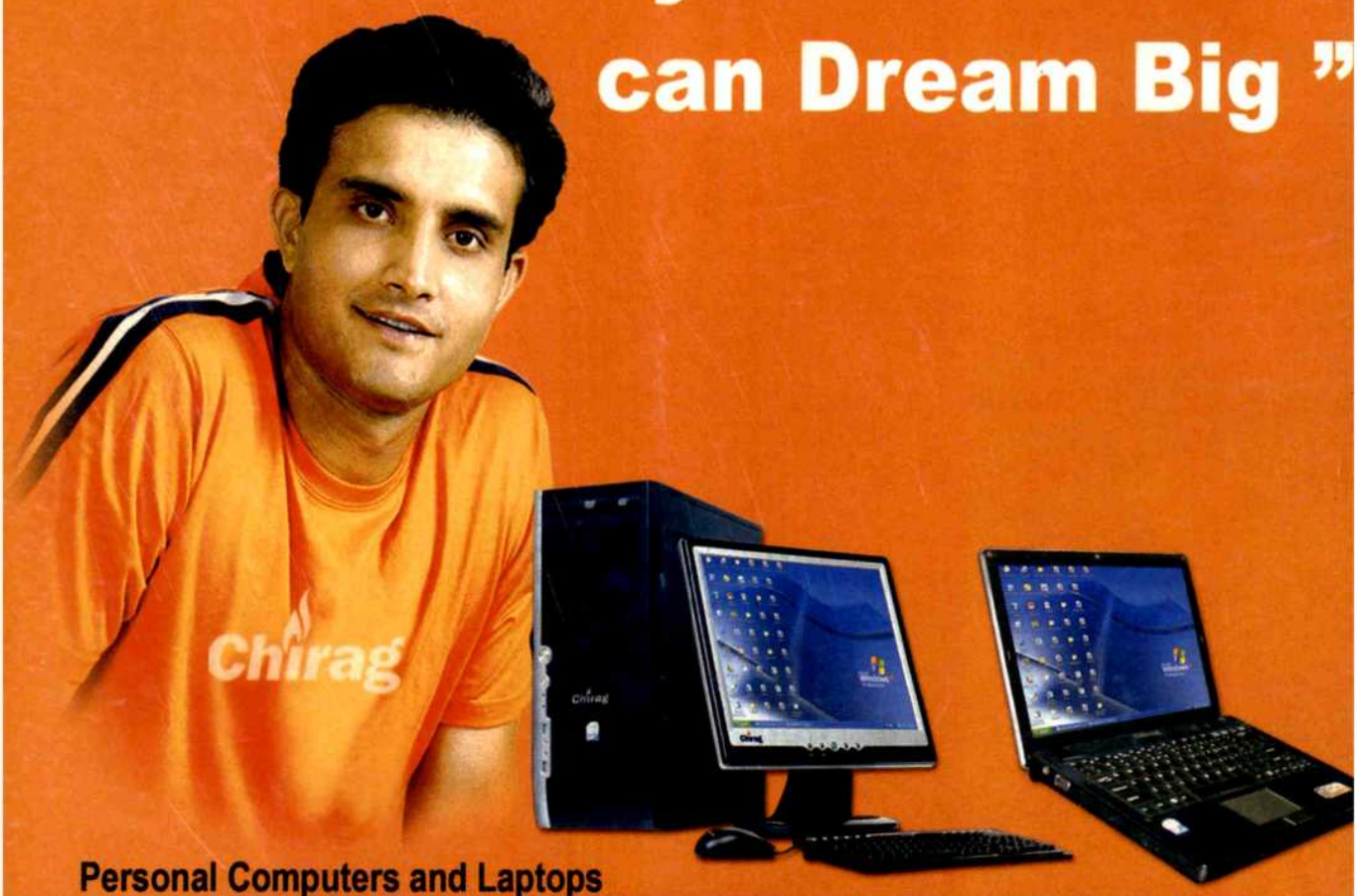
JET AIRWAYS

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09, LICENSED TO POST WITHOUT PREPAYMENT
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 RNI NO. 39847/81

# R.P. Infosystems Pvt. Ltd.™

*An ISO 9001:2000 & 14001:2004 Certified Company*

## " With *Chirag* my India can Dream Big "




**Personal Computers and Laptops**

# Chirag™

*India's ray of hope*

**Toll Free Helpline 1800 345 6365**

**Registered Office :** 2nd & 3rd Floor, 20/1C, Lalbazar Street, Kolkata 700001, Tel : 91 33 2213 6524 Fax : 91 33 2243 7206
**Corporate Office :** 4th Floor, Regent House, 12 Govt Place East, Kolkata 700069, Tel : 91 33 2231 0251-54, Fax: 91 33 2231 0253-54,
email : info@rpchirag.com, website : www.rpchirag.com

**RP Infosystems (NE) Pvt. Ltd** (A Subsidiary of RP Infosystems Pvt Ltd)
**Office :** "Barun Apartment", Flat No.302, Lower Motinagar,Shillong-793014,Ph. : 09862435165

*Office at :* Delhi, Noida, Chandigarh, Jaipur, Luckhnow, Mumbai, Bangaluru, Patna, Ranchi, Bhubaneswar, Guwahati & Shillong

SPECIAL ISSUE

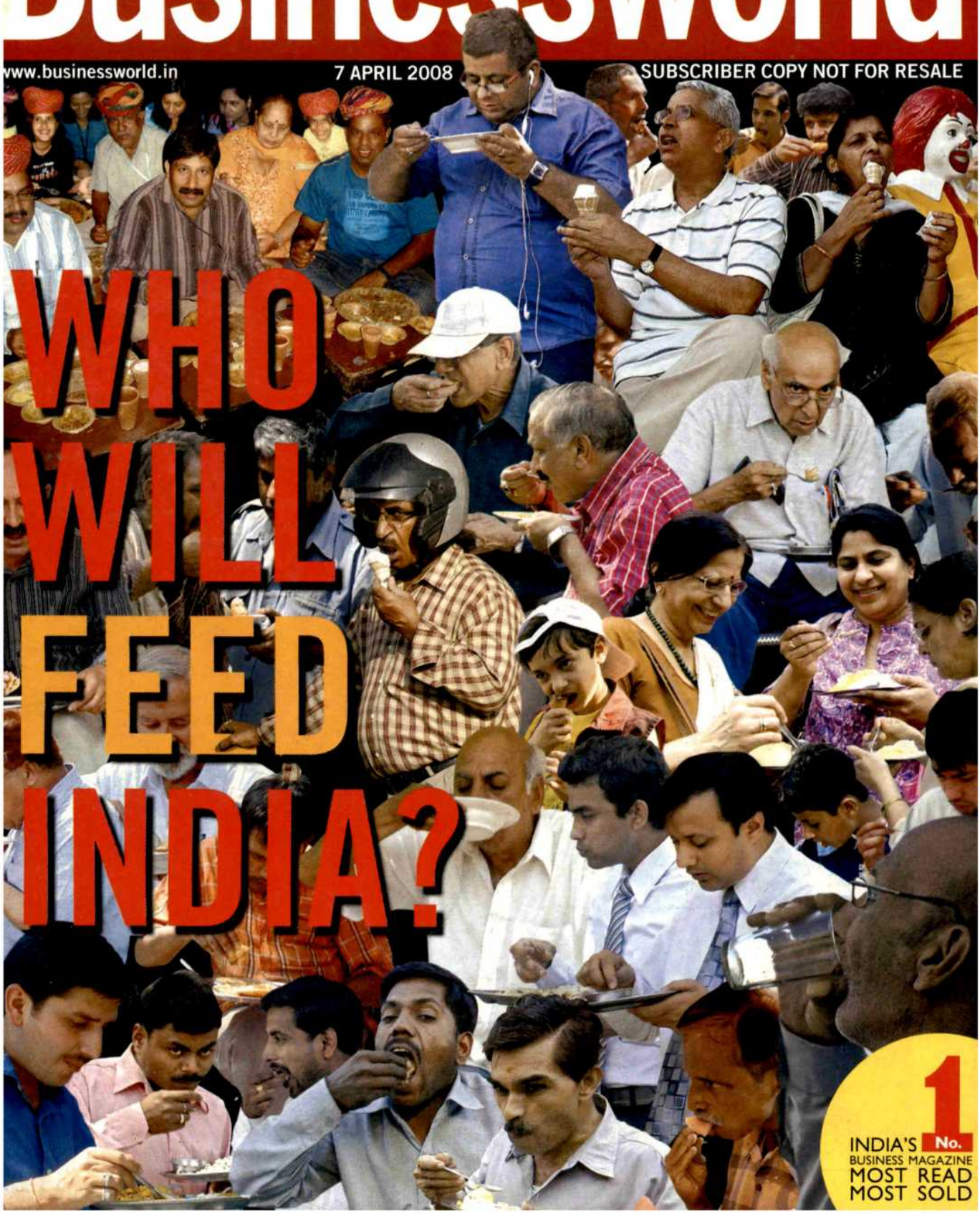
Rs 10

# Businessworld

www.businessworld.in

7 APRIL 2008

SUBSCRIBER COPY NOT FOR RESALE



# WHO WILL FEED INDIA?

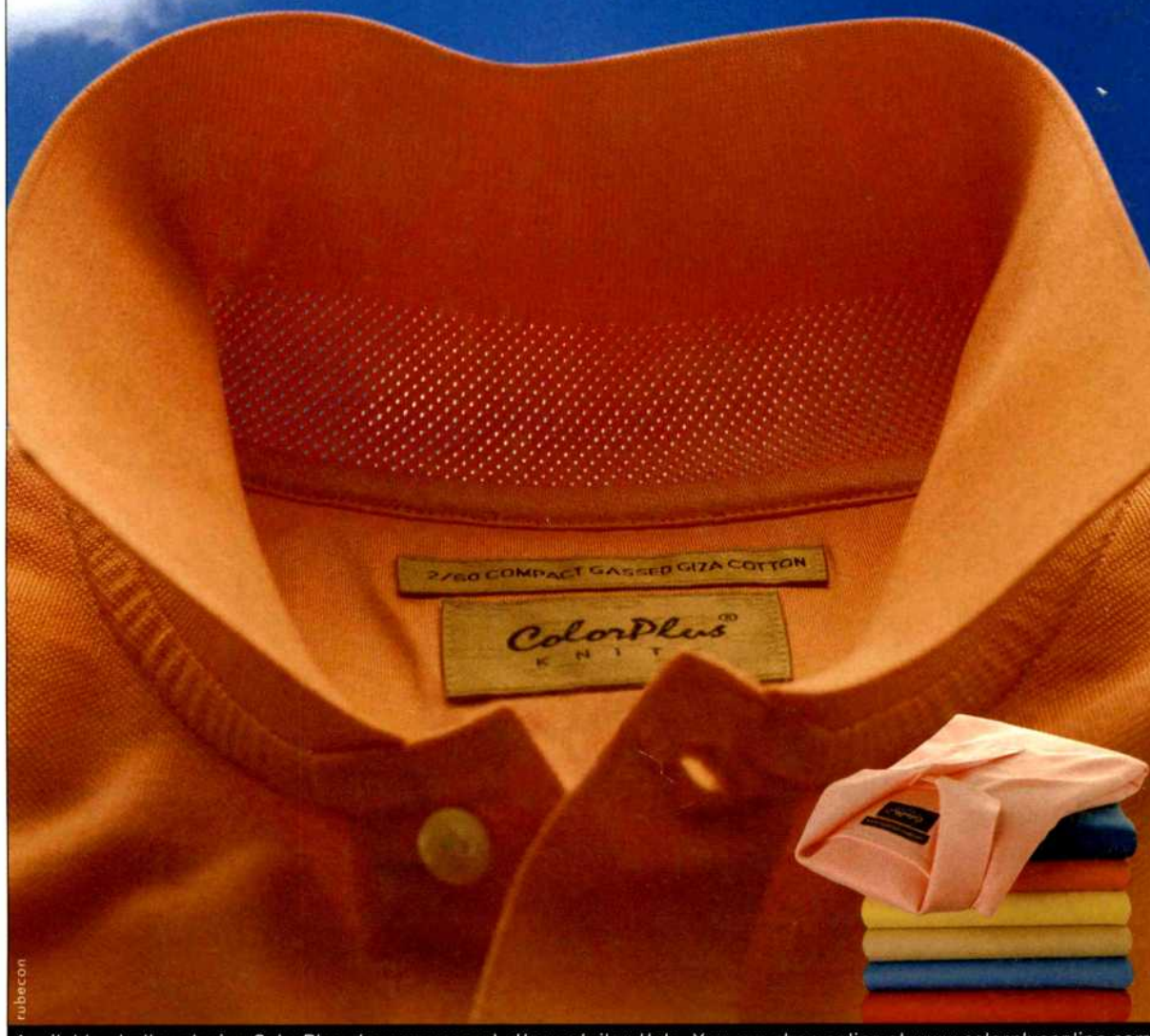
INDIA'S No. 1 BUSINESS MAGAZINE
MOST READ
MOST SOLD

COLORS OF
SUMMER

ColorPlus®
SMART CASUALS

# HAVE AN ICED TEE

Presenting ventilated collar Golfing Tees. With precisely engineered perforations enhancing the evaporation of moisture, this revolutionary tee shirt is sure to keep you as cool as ice always. Never be hot under the collar again!




rubecon

Available at all exclusive ColorPlus showrooms and other retail outlets. You can shop online at www.colorplusonline.com

A Member of

SUMMIT
HOTELS & RESORTS

# LIVE THE METROPOLITAN DREAM

So much for that old adage about first impressions, The Metropolitan Hotel's refurbished new avatar is getting all the looks. Check out new standards in personalised boutique luxury.

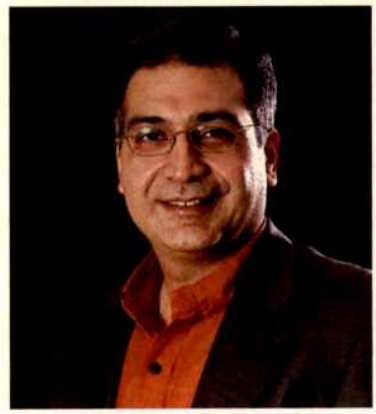
THE
METROPOLITAN
hotel new delhi

Bangla Sahib Road, New Delhi 110001
T: 91 11 42500200 F: 91 11 42500300 E: info@hotelmetdelhi.com W: www.hotelmetdelhi.com

## Editor's Letter

# The Bells Are Ringing

**by jehangir s. pocha, editor**

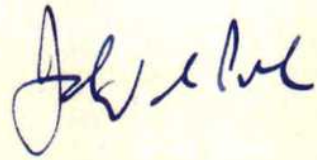


AGRICULTURE IS NOT SEXY. IT'S SO 19th century, it is even a real word. Today's BPOs, SEZs, IPOs, 4G, VAT and IPL are so much more fun (the latter especially so for our agriculture minister). But are they more important? While India Inc., New Delhi and global economic gurus have focused on building a 21st-century economy, they've overlooked the (weak) foundations of Indian agriculture. Sustenance farming is still the bedrock of Indian life. Most *kisans* lead heartbreaking existences, and do not contribute much to GDP. But in case no one noticed, they fill our plates. Now, denied attention, sufficient land reforms, active land management, fair prices, irrigation and investment, many farmers are simply giving up. Millions are migrating to cities, which are spreading over arable land. Many, up to 100,000 the government tells us, have committed suicide. This loss hasn't affected a country where tragedy abounds. But here's a wakeup call that should jar even the most selfish.

India's food output is stagnating while food consumption is rising due to rising incomes. We're beginning to import food, as China did when it faced the same problem. But this is bloating global food prices and straining supplies, which are already insufficient because grain is increasingly being used to make biofuels. India also does not have the ports and logistical systems for large-scale food imports.

Unless the government acts, spiralling food prices will hurt families and government finances, as the State will, rightly, feel bound to subsidise food for the poor.

Solutions exist. Panchayats should encourage cooperative farming. Power and irrigation must be provided to farmers. Banks must replace moneylenders as financiers to farmers. Private sector firms should be encouraged to buy food directly from farmers and bypass middlemen. But all this needs political will and bureaucratic competence. If history is an indicator, only when the food problem becomes a crisis will New Delhi act.




**Businessworld**

**Volume 27 Issue 46.**
**For the week 1-7 April 2008,**
**Released on 31 March 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
**Bangalore**
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*

...recommends Windows Vista - Home Premium.

# SOMETIMES, IT DOESN'T HURT TO SHOW SOME SKIN.

**Presenting the HP Pavilion Limited Edition Notebook with the stylish Verve Imprint finish.**

he new limited edition HP Pavilion dv2701TX Notebook PC comes with a stylish verve imprint finish. Pick fast because this is a limited dition. Rush to your nearest dealer and redefine the way you entertain yourself.

PRINT FINISH

WEBCAM

FINGERPRINT READER

REMOTE

ALTEC LANSING SPEAKERS

**GENUINE HP ACCESSORIES***

Water resistant carry bag for Notebooks up to 38.1 cm (15) screen size with multifunctional pockets and portholes.

For product enquiry call:
**1800 4254 999** or **3030 4499**
HP consumer care call:
**1800 112 267** or **3030 6363**,
visit **hp.com/in/personal**
or your retailer.
SMS **'Skin'** to **57575.**

Don't put your data at risk! **Pirated** Windows Vista exposes your PC to increased virus attacks and deprives access to key features, reducing the functionality of your PC. Why take a chance, when **original** Windows is just a small part of the cost of your PC?
**So, buy your *Right* PC with original Windows Vista only.**
For more, visit **www.My*Right*PC.com**

onditions apply. *Optional. Not part of standard equipment. It is an accessory. Manufacturer's warranties and delivery conditions apply. © 2008 Hewlett-Packard Development Company, L.P. All rights reserved. Certain Windows Vista oduct features require advanced or additional hardware. See www.microsoft.com/windowsvista/getready/hardwarereqs.mspx and www.microsoft.com/windowsvista/getready/capable.mspx for details. Windows Vista Upgrade dvisor can help you determine which features of Windows Vista will run on your computer. To download the tool, visit www.windowsvista.com/upgradeadvisor. Windows Vista is either a registered trademark or trademark of Microsoft orporation in the United States and/or other countries. Microsoft and Windows are trademarks or registered trademarks of Microsoft Corporation in the United States and/or other countries. Product visuals shown may vary from the actual oduct. All other trademarks are used for identification purposes only and belong to their respective owners.

PUBLICIS HP-PSG 064 08

# Feedback your comments

## Understanding The PE Bazaar

Your story on the private equity giant Blackstone was timely as private equity in India hasn't matured yet and most people here still don't know much, if at all anything, about the subject. Blackstone has had a good start with some interesting buy-outs, such as the Gokaldas one, but one can't predict much about its future till some more PE firms, with a comparable size of operations, come to India. It would be interesting to see what sort of challenges they might pose to Blackstone's monopoly.

However, it would have been nice if the article had something on what the other private equity bigwigs, such as Warburg Pincus and Carlyle, are doing and what their India plans are, if there are any.

**Keshav Rungta,** via e-mail

**WRITE IN AT**
**bweditor@abp.in**
**or post us on**
**www.businessworld.in**

## A Potent Mix

India is one of the fastest growing economies in the world. There are enough indications that it would become a regional superpower by 2015 and a global superpower by 2020. This, coupled with escalating cross-border tensions, would necessitate the upgradation of its armed forces by hiking the defence spending considerably ('A Call To Arms', *BW*, 31 March 2008) over the next 5-6 years to an estimated Rs 1.8 lakh crore. The only way the government can meet this titanic target is through public-private partnerships.

Given Tatas' clean record, the government must realise that it can be as safe dealing with Tatas as with its own defence enterprises. If Ratan Tata succeeds, he would not only have shaped his own legacy, but also contributed to the creation of a private defence industry in the country along the lines of the US.

**Srinivasan Umashankar,** via e-mail

In Depth defence
A Call To Arms

## Paying For Bad Governance

The state of maintenance of small hospitals ('The Cost Of Bad Governance', *BW*, 31 March 2008) in Mumbai is pathetic, quality of nurses abysmal and the administrative staff lack training. Healthcare is one of the primary rights of every citizen and Parliament should consider it more seriously.

**Suresh Swamy,** via e-mail

While the cost of healthcare is ballooning in the aftermath of the so-called development of the country, the lack of basic norms of safety and hygiene can only be termed as criminal. In a country where the Minister for Health has little time for such mundane affairs, it is sad that the hapless citizen pays for the lack of commitment and accountability on the part of the elected representatives and the bureaucracy, which cannot see beyond their noses.

**P.G. Vijairaghavan,** via e-mail

## An Identity Crisis

The plight of gorkhas ('Mirror Issues', *BW*, 31 March 2008) working in India is similar to that of Tamils inhabiting northern and eastern Srilanka. They are often mixed up with Tamils of Indian origins working in tea estates in central Sri Lanka. Darjeeling's gorkhas and Sri Lankan Tamils deserve federal states in India and Sri Lanka, respectively.

**V.R. Sridharan,** via e-mail

*Letters may have been edited for brevity.*

# 19%
# LESS POWER CONSUMPTION†

DELL POWEREDGE M600 BLADE SERVER

VS

HP BLADE SYSTEM C-CLASS

## ENERGY EFFICIENCY HP CAN'T BEAT

SIMPLIFY YOUR POWER CONSUMPTION AT
**www.dell.co.in/efficiency**
**FOR BUSINESS ENQUIRIES CALL 1800 209 3061**
**TOLL-FREE Mon-Fri 9am-6pm (All Networks Except Spice Telecom)**

† Based on Principled Technologies' "SPECjbb2005 performance and power consumption on Dell, HP, and IBM blade servers" December 2007 test report commissioned by Dell.

DELL'S NORMAL TERMS AND CONDITIONS APPLY AND ARE AVAILABLE ONLINE OR UPON REQUEST. All efforts will be made to check for errors in typography and photography, however inadvertent errors may occur for which Dell may not be responsible. Dell, the Dell logo and PowerEdge are registered trademark or trademarks of Dell Inc. Other trademarks and trade names may be used in this document to refer to either the entities claiming marks and names or their products. Dell disclaims proprietary interest in the marks and names of others. Copyright 2008 Dell Inc. All rights reserved.

BATES DAVID ENTERPRISE/BLR/DELL/080/BUSINESS WORLD

Businessworld 07.04.08

33

SANJAY SAKARIA

## COVER PACKAGE

# 33 Grain Of Truth

Foodgrain scarcity stares us in the face. The only way out is to lure the farmer back.


**34 Farm Forward**
India needs to revise its agricultural policies to become self-reliant.

**42 Agriculture By Numbers**
Make sense out of statistics.

**44 Column: Yashwant Sinha**
Take another look at the food economy.

**46 Moneylenders**
Millions continue to live in their grip.

**50 Column: Ramesh Chand**
Remove the flaws, and the PDS will work.

**52 Q&A: M.S. Swaminathan**
Gear up for the war against hunger.

**54 Fixing It**
The ways aren't sexy, but they are viable.

**58 Column: D. Raja**
The Centre cannot be a bystander.

BLOOMBERG

BLOOMBERG

## ON POINT


**10 Running Out Of Fuel**
RIL should have seen what was coming.

**11 Better Cover**
IRDA slashes solvency margins.

**14 Patents War**
Verdict on Cipla is a lesson for copycats.

## 16 FIANCHETTO
Weekly strategic corporate moves.

## 18 QUICK TAKE
Is a third front good for the country?

## IN THE NEWS

### 22 Mukherjee's US Visit
He stuck to roads that led nowhere.

### 24 The Sixth Pay Commission
It would have paid to fix anomalies.

### 26 Bhave In His Act
Sebi chief first wants to clear the backlog.

### 28 Standard-Bearer
Will Microsoft win the OXML war?

## IN DEPTH

### 60 Sovereign Wealth Funds
Reaching an agreement is likely to be contentious.

### 68 Forex Derivatives
Can Indian companies blame the banks for their own misadventure?

## TECH TALK

### 89 Over A Cloud
Cloud computing is the new buzzword in information technology.

### 92 Fair Share
The online file-sharing market is witnessing more start-ups than ever.

## IN VOGUE

### 95 Nature's Way
Eco-tourism is catching on fast.

### 100 Cotton On To Khadi
Why suffer in stuffy polyester blends?

### 104 Bookmark
Patterns of middle-class consumption, the spirit of india, and a matter of aesthetics.

## IN CONVERSATION
### 64 D.A. HARTWICK
CHIEF EXECUTIVE,
**LOCKHEED MARTIN INDIA**

With no track record in Indian market, a history of American sanctions against the country, and the company's own scandalous past, Lockheed Martin India faces many challenges.

## COLUMNS

### 20 Ashok V. Desai
How to create better derivative markets.

### 30 Nayan Chanda
China is more exposed to embarrassment.

### 62 Rajeev Dubey
A taxation ambiguity may spoil NELP.

### 70 Paul Samuelson
Governments' role in the financial world.

## BW & YOU

### 06 FEEDBACK
### 106 BW OPINION


Cover Design by Anthony Lawrence


**BWonline**
**businessworld.in**
**WEB E\XCLUSIVES**

TechnoCool
With Epson DM1 Home Theatre Projector, you can relive a multiplex experience sitting at home, says Tushar Kanwar.

B-Schools
Now, India's top B-schools are advising women on how to manage a family without compromising on career aspirations.


Total No. of pages including cover: 108

PETROLEUM

# Reliance's Retreat

**The closure of RIL pumps is the result of the government's bias**

**COSTLY FILL:** Petrol from Reliance's outlets are priced higher than that of PSU outlets

IN TIMES OF HARDSHIP, lie low. When it becomes excruciating, call it a day. This seems to be the strategy of Reliance Industries (RIL). The company has suffered heavy losses in its petrol retail business as it has to sell the fuel at prices higher than those of state-owned firms such as Indian Oil Corp., Hindustan Petroleum and Bharat Petroleum — on average, petrol from Reliance outlets is costlier by Rs 4.50 a litre. RIL has suspended operations in 900 of its 1,400 petrol retail outlets.

Given that RIL was well aware of the domestic situation and the world market situation — the price of crude has shot up to $104 per barrel — sources in the Ministry of Petroleum and Natural Gas say the suspension is an arm-twisting tactic to get oil bonds issued to private players.

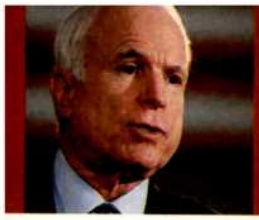
Public sector firms lose Rs 9.75 on every litre of petrol sold and Rs 12.25 on diesel. Oil bonds issued by the government and discounts from ONGC and Gail India have helped the PSUs make up for their losses so far. If oil bonds are issued to private players, it would help them offset their losses to some extent.

However, the government doesn't seem to have a ready solution. "You don't expect the government to give subsidy to private retailers," Oil Minister Murli Deora was quoted as saying.

Analysts feel that the role of the recently set-up regulator — Petroleum and Natural Gas Regulatory Board led by former bureaucrat L. Mansingh — assumes significance under the circumstances. "The regulator will play a defining role in future," says Raju Lal, partner at Ernst & Young. But it remains to be seen how soon the regulator gets its act together.

*M. Rajendran*

**$1** billion. The amount Mitsubishi Heavy Industries will invest to build Japan's first passenger jet



**QUOTE OF THE WEEK** **"Our great power does not mean we can do whatever we want whenever we want."**

— JOHN MCCAIN, US PRESIDENTIAL CANDIDATE

**INSURANCE**

# Grin-n-Bear

**Investors could now be protected from the vagaries of the market**

AS THE OLD SAW IN economics goes, it's all about incentives. Even as the meltdown in stock exchange indices continues, the Insurance Regulatory Authority of India has slashed solvency margins — the amount that life insurance companies have to keep on hand to settle claims. The idea? To make them focus on term insurance and endowment products, rather than the unit-linked insurance policies (ULIPs), which account for about 90 per cent of all product sales. ULIPs have burnt the pockets of recent investors.

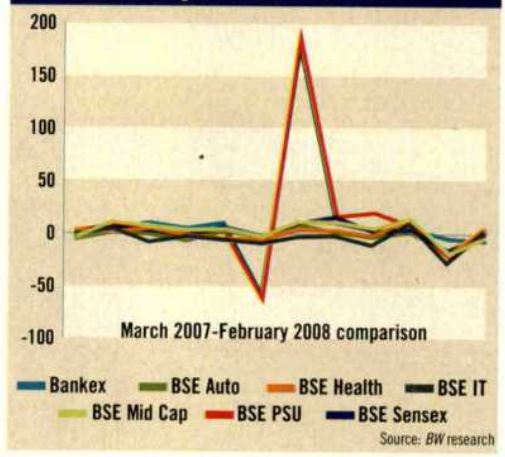
A one-year comparison with other sectoral indices of the BSE, such as banking, healthcare, auto, IT and PSUs, shows that investors in ULIPs, or any equity linked product, have burnt their fingers badly: in a monthly comparison, banking , auto and mid-cap companies have been the worst hit (see graph).

"Insurance firms focus on the fundamentals of the economy and investments are based for long-term returns," says Vikram Kotak, CIO of Birla Sun Life in Mumbai. Now, if only they could sell the idea to the public...

*Vishal Krishna*

**HARD-HIT:** Banking, auto and mid-cap companies have been the worst hit

**Mid-cap indices take a dent**




Source: *BW* research

**Global NEWS**

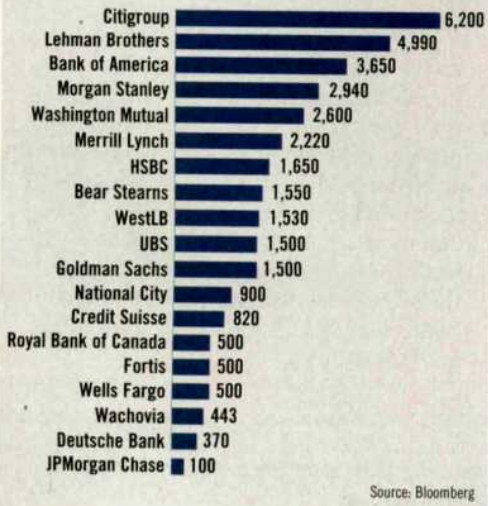
AP

**French connection**

It was touted as the first full state visit by a French President in a decade. But at the end of Nicolas Sarkozy's two-day visit to the UK, it was his wife – model-turned-singer Carla Bruni-Sarkozy – who got all the attention, with British tabloids splashing glamorous photos of her and comparing her with late Princess Diana.

**WALL STREET CUTS JOBS**

Wall Street banks and securities firms have cut more than 34,000 jobs since July 2007.




Source: Bloomberg

**INDIA-CHINA**

# HARPING ON THE OBVIOUS

IT SEEMS INDIA'S POLITICAL RELATIONS with China are more symbolic than substantial. India has the time and patience to conduct joint military exercises with China from time to time but not to solve the border disputes with its influential neighbour. On the other hand, China has settled its border disputes with all other countries except India.

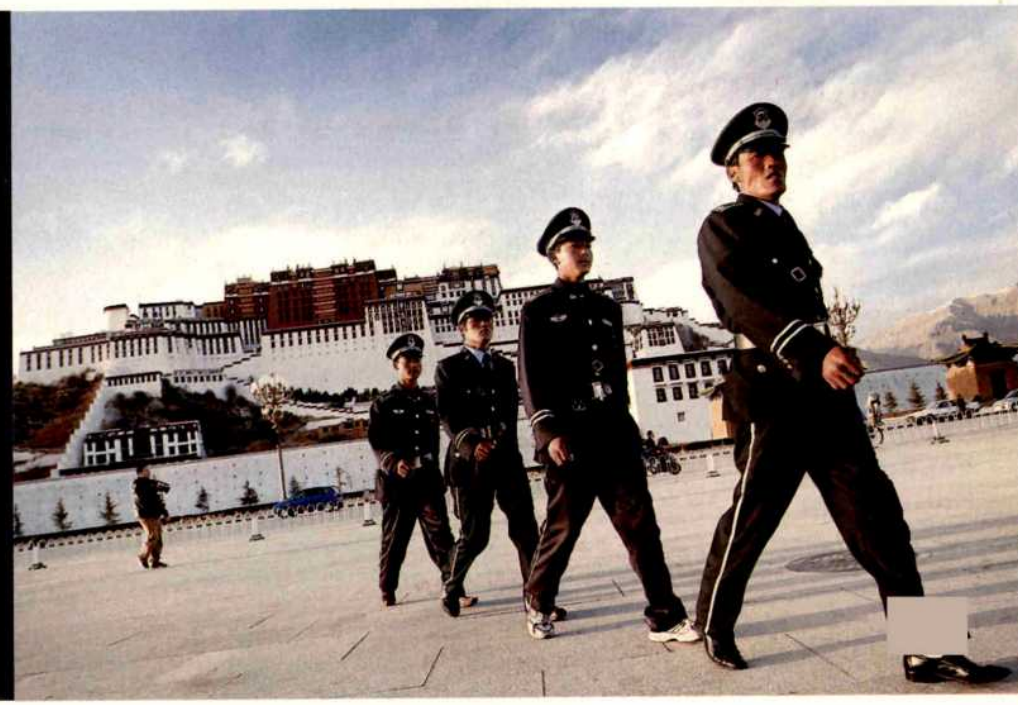
Over the past four years, China has been using joint military exercises with all its neighbours, including Russia and the central Asian 'stan' countries, to bargain for their trust and support.

Last week's announcement of the latest joint exercise by the Indian and Chinese air force is significant as it came immediately after the anti-China protests in Tibet. This year, even the normally China-wary Ministry of Defence has changed its tune. In its annual report, it has appreciated China for improving relations with its neighbours, instead of harping on China's military build up and its help to India's primary threat, Pakistan.

***BW Bureau***

## TIBET CALMED

Chinese security officers patrol the square below the Potala Palace — the Dalai Lama's former residence — in Lhasa on 26 March, the day when foreign journalists were allowed into Lhasa for the first time since the anti-government riots on 14 March. According to the Tibetan government in exile, 140 people died in the unrest.



NARMADA REHABILITATION

# Poor Record

ABP

**The MP government hasn't paid enough attention to rehabilitation**

STATE GOVERNMENTS go all out to clear large development projects in their turf and take credit for the same, but when it comes to compensating and rehabilitating the affected people, the governments don't show the same spirit and vigour.

On 10 March, the Supreme Court asked the Madhya Pradesh (MP) government to furnish details of the number of families affected by the Sardar Sarovar Narmada Dam project and how many have been rehabilitated.

The petitioners alleged that MP paid only small amounts of cash instead of allotting cultivable land in the rehabilitation process.

Those who did not accept cash, including tribals in the mountainous regions of the Narmada valley, have not been allotted any land.

*Rajesh Gajra*

## GLOBAL ACQUISITIONS

BLOOMBERG

# Tatas' British pride

WHILE TATA MOTORS' ACQUISITION OF British Marquees Jaguar and Land Rover from Ford Motor Co. for $2.3 billion may not boost the Mumbai-based company's stock, it could bolster the prospects of West Midlands, home to the UK's automotive industry. The region has nearly 30 Indian owned businesses, including State Bank of India, ICICI Bank, Tata Steel, Mahindra & Mahindra and Aditya Birla.

## Reality Check

**Plastic waste in the oceans poses a potentially devastating long-term toxic threat to the food chain, according a new study by the University of Plymouth, UK**

BHUTAN

# BABY STEPS TO DEMOCRACY

BHUTAN IS A PECULIAR country. Its indicator of socio-economic prosperity is Gross National Happiness (GNH); a term coined by the former King Jigme Singye Wangchuck, whose son, Jigme Khesar, is currently the king of Bhutan.

Bhutan may also be the first country to peacefully transition from monarchy to democracy. The recently held elections (held by royal decree!), saw the Druk Phuensum Tshogpa (DPT) or Bhutan Peace and Prosperity Party, win 44 of the 47 parliamentary seats. The DPT is perceived as more dedicated to the monarchy. The result is being interpreted as a sign that Bhutan's citizens are reluctant to part with monarchical tradition.

AP

The biggest problem facing Bhutan — which has a population of 600,000 — is the 100,000-odd ethnic Nepali refugees. They will be a source of stress to the new government, although Bhutan maintains that its GNH is as high as ever.

*Pierre Mario Fitter*

# TOP 10 LISTINGS

TOP 10 US IPOs BY DEAL VALUE

| | | |
|---|---|---|
| 1 | Visa Inc. (2008) | 17.9 |
| 2 | AT&T Wireless (2000) | 10.6 |
| 3 | Kraft Foods (2001) | 8.7 |
| 4 | United Parcel Service (1999) | 5.5 |
| 5 | CITI Group (2002) | 4.6 |
| 6 | Conoco (1998) | 4.4 |
| 7 | Blackstone Group (2007) | 4.1 |
| 8 | Travelers Property Casualty (2002) | 3.9 |
| 9 | Goldman Sachs Group Inc. (1999) | 3.7 |
| 10 | Agere Systems (2001) | 3.6 |

Source: Renaissance Capital and IPOhome.com — Figures are in $ billion

**The highly-hyped annual conclave received a luke-warm response**

FICCI FRAMES

# From Start To Finish

IT IS BILLED AS THE AS the most important media-biz event of the year. In its ninth year now, Ficci's 'Frames - 2008' saw Sony's CEO Kunal Dasgupta, also co-chairman of FICCI's entertainment committee, set the cat among the pigeons.

Dasgupta announced that the Indian Broadcasting Foundation (IBF) was finalising a new National Television Ratings System. His broadside was presumably aimed at the current TAM Peoplemeter System, that many say is skewed.

Yet the annual conclave — which was once at the centre of entertainment and media trends — seems to be flagging. Both the chief guests — Information & Broadcasting Minister Priyaranjan Dasmunsi and actor Amitabh Bachchan — preferred to stay away.

**DOUBLE ROLE:** Sonam Kapoor (L) and Yash Chopra inaugurating the event

The audiences were thinner, and many media and film production houses went unrepresented. In a plenary session, A.P. Parigi, director of Bennett, Coleman & Co., pointed out that call-back tunes on mobile phones were generating $380 million a year — more than the combined revenue of the music and radio industry.

In another session on the emergence of regional media, an Ernst & Young paper — The Dhoni Effect — showed that while ad revenues from metros were stagnating, the purchasing power in small towns was generating 20-30 per cent growth. It is these trends that 'Frames' needs to delve into if it is to stay relevant and not become just another business networking platform.

*Gurbir Singh*

PHARMACEUTICAL

# Copy 'n' Paste

**The ruling on Cipla may encourage Indian firms to launch copycats**

PHARMA COMPANIES that exploit loopholes in the system to boost their business can rejoice — albeit temporarily.

Last week, the Delhi High Court refused to injunct Mumbai drug maker Cipla from hawking a copycat of lung-cancer drug Tarceva patented to Swiss multinational F. Hoffmann-La Roche.

The High Court will hear Roche's case of patent infringement against Cipla, while the latter continues to sell its copy on the condition that it will keep a record of sales in case of a reversal later.

ABP

**REPRIEVE:** Cancer patients need not suffer for delays in verdicts

Indian patent laws provide for a patent to be opposed at the Indian Patent Office before or after it is granted. Cipla's stand is that Roche's Tarceva does not qualify for a patent under the Indian law.

But it has chosen to prove this in Court rather than before the Patent Office, citing a failed attempt by competitor Natco Pharma of Hyderabad.

Cipla seems to believe that while the law can take its course, there is no reason for lung cancer patients to be deprived of a cheaper drug in the meantime. Cipla's pill costs Rs 1,600 as against Rs 4,800 of Roche's Tarceva.

Media reports had quoted Cipla's CEO Amar Lulla — when it launched its copy — as saying that there was no financial risk involved since Roche's patent is "very weak".

What signal does all this send out to other copycat companies who currently have patent oppositions pending before the Indian Patent Office? Will many more Indian pharma companies follow where Cipla has dared to tread?

*Gauri Kamath*

ONLINE B2B

# Strictly Business

**The Indian online B2B market is headed for tough competition**

THE INDIAN BUSINESS-to-business (B2B) space will soon see a lot of action. After the $1.7-billion stock offering, termed as the biggest IPO after Google, Alibaba.com — a leading Chinese B2B player — is planning to enter the Indian market. *BW* learns that Alibaba will form a tie-up with Infomedia, a B2B publisher eyeing the online space.

BLOOMBERG

**EYE ON INDIA:** Jack Ma, founder, Alibaba.com

With 25 million users worldwide and a 69 per cent market share, Alibaba.com is expected to give tough competition to Indian companies. However, Indiamart's CEO Dinesh Agarwal is unfazed. "New players will only help expand Online B2B market landscape."

With no official confirmation on Alibaba.com's plans, industry watchers and competitors can only keep their fingers crossed.

*Janhavi Abhyankar*

Patent
## FIGHT

**Taking on biggies**

**This could easily become the mother of all patent cases. Gertrude Neumark Rothschild, a retired Columbian University professor, has filed a suit against 30-odd consumer electronics biggies including Sony, Motorola, Samsung and Nokia, alleging the companies of infringed on her patent for laser diodes. Her complaint is being investigated by the US Intl Trade Commission.**

**26** billion dollars. The contract won by EADS to replace UK's miltary inflight refuelling tankers

Selected
Business
Superbrand
INDIA 2008
Industry Validated

A Mahindra Group Company

# It takes a lot to be India's no.1 holiday brand.

INTERFACE 840075

And the Special Award for the 'Best Chef of India, 2007' goes to...

...our **Executive Chef Soundararajan.** The title sits well on him. After having recieved the **National Award** from the **Ministry of Tourism**, he's back to doing what he does best! Creating great recipes, menus and food for our guests at our 21 resorts. Making sure they keep coming back for more.. to a Club Mahindra resort.

Club Mahindra HOLIDAYS

fun. family. forever.
www.clubmahindra.com

**MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED**
Changing the way India holidays

The Company is proposing, subject to market conditions and other considerations, a public issue of its equity shares and has filed a Draft Red Herring Prospectus with SEBI. The Draft Red Herring Prospectus is available on the website of SEBI at www.sebi.gov.in and the respective websites of the BRLMs at www.kotak.com and www.hsbc.co.in. Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the section titled "Risk Factors" of the aforementioned offer documents.

BLOOMBERG

### Confidence building measure

Irish building materials group CRH has acquired a 50 per cent stake in Hyderabad-based cement company My Home Industries (MHIL) for €290 million.

The acquisition marks the world's second-biggest maker and distributor of building materials' entry into the 173-million-tonnes per year Indian cement industry.

Promoted by J. Rameswar Rao, MHIL operates three cement plants in Andhra Pradesh's Nalgonda district with a total capacity of 3.2 million tonnes.

CRH and the existing owners will jointly manage MHIL with equal board and management representation.

### 'Black' economy

Fuels and petrochemicals group Sasol will sell a 10 per cent stake to black investors in South Africa's biggest black economic empowerment transaction to date worth 25.9 billion rand ($3.19 billion). The deal, which involves 63.1 million shares, will broaden and transform the group's shareholder base. The transaction will also see the group launch a public investment scheme for black South Africans in which it will issue 18.9 million ordinary shares.

BLOOMBERG

### Tapping hidden opportunity

While domestic two-wheeler manufacturers are racking their brains about how to thwart the potential competition from Tata's soon-to-be-launched low-cost car Nano, Israel's Energtek, has found a business opportunity in the ensuing scenario.

Energtek, a world leader in absorbed natural gas (ANG) technology, has joined hands with Nagpur-based LPG bottling company Confidence Petroleum to launch Confi Energtek Asia.

The joint venture company will market Energtek's ANG technology in India and other Asian countries. Energtek has also initiated discussions with Indian two-wheeler manufacturers to supply new technology, which will help two-wheelers run on gas. The company claims that ANG will reduce fuel cost by over 50 per cent compared to petrol.

### Dell rediscovers India

Michael Dell should take Indian citizenship, now. His company, Dell Inc., has over the past seven years grown its workforce in India 12 times. The company has about 33,000

DEALTRACKER

## BW-THOMSON FINANCIAL M&A TRACKER

**March** The Asian M&A market saw 1,416 deals worth $70.84 billion as on 24 March. China emerged as the largest market in the region with 447 deals worth $14.66 billion. Singapore was the second largest.

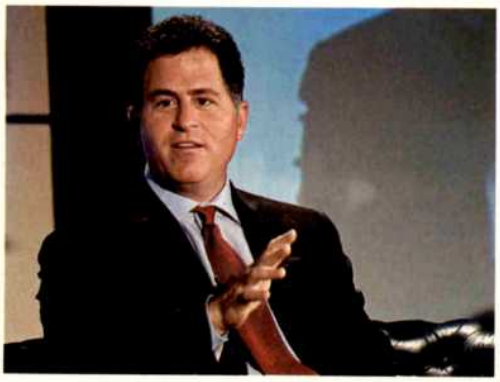
Top Indian deals

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Reliance Energy | India | Reliance Energy* | India | 761.6 |
| Cairn India | India | Investor Group | Malaysia | 627.5 |
| Elsamex SA | Spain | IL&FS Transp Networks (India) | India | 78.2 |
| Jass & Associates Inc. | US | Mascon Global | India | 55.0 |
| Loxton Winery | Australia | Indage Holdings | India | 54.7 |
| Parry Agro Industries | India | New Ambadi Estates | India | 24.9 |
| Osian's-Connoisseurs of Art | India | Abraaj Capital | UAE | 19.8 |
| CentrumDirect | India | Future Capital Holdings | India | 18.7 |
| Meghmani Finechem | India | IFC | US | 11.5 |
| ACC Machinery Co. | India | HNG Group | UK | 11.2 |

Figures for 9-22 March 2008 *Buyback

Top Asian markets

Figures for 1 January-24 March 2008



TRIBHUWAN SHARMA

employees in India out of a total workforce of 90,000 worldwide.

Dell also claims that it has crossed revenues of $700 million from sales of hardware such as laptops and computers in India. In the past, Mr Dell would never tire of bad-mouthing India and its bureaucracy. Now, maybe, he thinks differently.

### Twinning strategy

Motorola has decided to split into two companies: One company will focus on handsets and the other will sell network equipment, cable TV set-top boxes and two-way radios — businesses that are profitable and growing faster. This will help the company offset the losses from its money-losing mobile-phone business that it pioneered 25 years ago.

### Religare gets going

Financial services firm Religare Enterprises has announced it will buy London-based broking firm, Hichens, Harrison & Co. for $110 million. This will give Religare entry into the global arena. Hichens, Harrison is a merchant banker in the UK and Religare — through this deal — gets license to operate in the UK, Dubai, South Africa, Singapore, Indonesia, Brazil and other emerging markets.

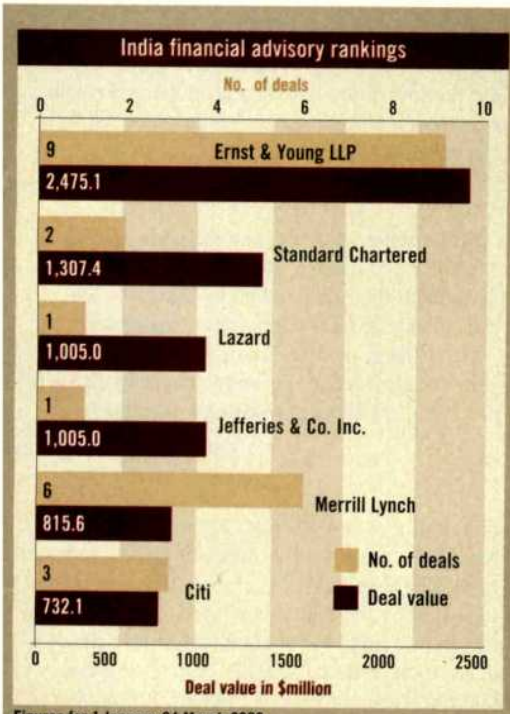
### New honcho

Raghu Menon, special secretary and financial advisor in the civil aviation ministry, has taken over as chairman and managing director of Air India. There were 51 aspirants for the post, including the present joint MD Vishwapati Trivedi, Arvind Mayaram of the Department of Economic Affairs and Arvind Jadhav, chief vigilance officer of the Gas Authority of India. Menon, a 1974-batch IAS officer, takes over from V. Thulasidas.

### Damage control

Major Indian steel makers — the Steel Authority of India, Essar Steel, JSW Steel, Ispat Industries and Jindal Steel & Power — have decided to halt steel exports to ensure enough domestic supplies. With the domestic demand-supply situation worsening, India had turned net importer of steel, of late.

GOUTAM ROY




Figures for 1 January-24 March 2008

**Top Asian deals**

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Fortis Investments | Belgium | Ping An Ins (Grp) Co. of China | China | 3,358.9 |
| Tuas Power | Singapore | SinoSing Power | Singapore | 3,072.2 |
| Huaxia Bank Co. | China | Shougang Group Corp., | China, | 1635.1 |
| Sintonia | Luxembourg | Deutsche Bank, State Grid Corp. of China Elmbridge Investments | Germany, China Singapore | 1,534.2 |
| Reliance Energy | India | Reliance Energy | India | 761.6 |
| Cairn India | India | Investor Group | Malaysia | 627.5 |
| Bank CenterCredit | Kazakhstan | Kookmin Bank | South Korea | 623.0 |
| Yantai Raffles Shipyard | Singapore | Sharp Vision Holdings | Hong Kong | 611.3 |
| Petron Corp | Philippines | Sea Refinery Holdings | UK | 548.0 |
| Hutchison CP Telecom | Indonesia | Profesional Telekomunikasi | Indonesia | 500.0 |

Figures for 9-22 March 2008

Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently-held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date. League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Log on to www.businessworld.in for the complete list

# Quick Take

# Would a third front led by the Left be good for the Indian democracy?

**We asked...** Sanjeev Bikhchandani, Founder and CEO, Naukri.com; Arun Kumar, Associate Director, KPMG; Mohan Guruswamy, Chairman, Centre for Policy Alternatives; Ishrat Aziz, President, Association of Indian Diplomats; Vijay Pratap, Convenor, South Asian Dialogues on Ecological Democracy; Alok Pant, Senior V-P, Global Marketing and Strategic Alliances, Intelligroup; Pawan Gulani, Manager, Strategy, Financial Services Vertical, Reliance Retail; Srickant Rajagopal, Assistant Vice-President, SSKI Corporate Finance; Ajay Sahai, Director-General, Federation of Indian Export Organisations

"It's their right to form a third front and it's the people's right to bring them to power."

**Sanjeev Bikhchandani, Founder and CEO, Naukri.com**

"A Left front holds scant respect in today's world with its fast, albeit unequal, development."

**Pawan Gulani, Mgr, Strategy, Financial Services, Reliance Retail**

"The Left's agenda and how they execute it will determine what it means for the democracy."

**Alok Pant, Sr V-P, Global Marketing and Strategic Alliances, Intelligroup**

## Yes 50%

**YES BECAUSE:** Recently, the Communist party of India (Marxist) proposed the formation of a third political front to counter the duopolistic hegemony of the Congress (I) and the BJP, which are, as of now, the only two actually national-level political parties in India. In this context, most of our respondents believed that it would be only for the best if the Left manages to form a viable alliance or a 'third front'. If the rules of democracy are followed, a third front should be all right, said one respondent. Also, that a third front would imply a wider range of choices for the Indian republic is a good enough reason for it to be formed. They felt that different views should be represented by various political fronts, so a citizen can vote to elect his favourite party and not vote out the party he doesn't like.

## No 30%

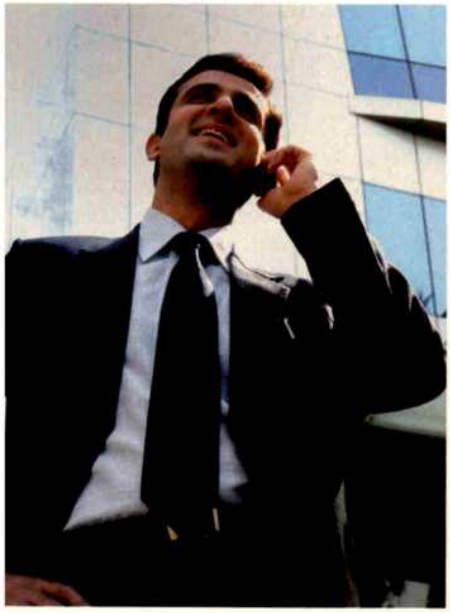
**NO BECAUSE:** While some saw only good in the formation of a viable third front, some were of the view that the ideology of the supposed third front is still quite unclear and that it appears as if a few parties with similar agendas are getting together only to meet their political ends. If such is the purpose of a political alliance, then it is best not have the alliance at all. Political alliances and fronts should represent certain ideologies and a vision of for India. Instead, political fronts mostly push their own agendas in select areas, which are of interest to them, and lack vision. These respondents also felt that most of these parties with aims to form alliances and fronts are simply posturing for a chance to come to power at the national level.

## Can't say 20%

**CAN'T SAY BECAUSE:** Some respondents felt that it is too early to be able to judge whether a viable third front can be formed. Hypothetically, if it is assumed that the Left forms the front, what their agenda will be and how they will execute it cannot be determined as of now. One can make as many arguments in favour of having a third front represented by the Left as one can make against it. Given such a hazy situation, these respondents felt it wouldn't be practical to comment on the situation right now. Also, the Left has been repeatedly at the core of much contention in the current coalition. Given such a track record, there are a lot of aspects where one does not know if the Left, if it comes to power, would continue its old ways or get more relaxed for the sake of stability.

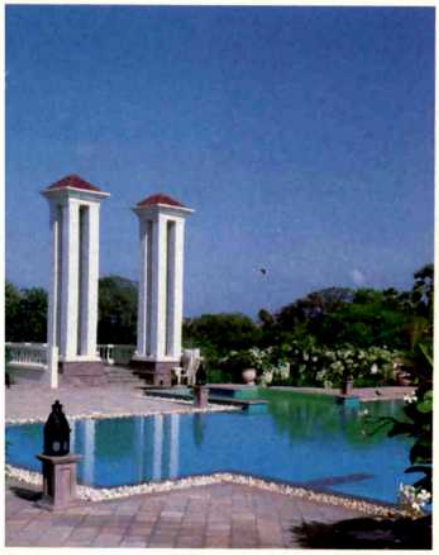
Selected
Business
Superbrand
INDIA 2008
Industry Validated

K.RAHEJA®
UNIVERSAL
Building Trust. Building Lifestyles.



# UNIVERSALLY ACCLAIMED

Accolades are recognitions of our excellence. We build grand and futuristic buildings, choose dramatic locations, create environments to live and work in and surround you with world class luxury and amenities. But a lifetime of strengthening relationships is the acclaim we cherish most.



ESIDENTIAL • COMMERCIAL • IT PARKS & SEZS • RETAIL • HOSPITALITY

ISO 9001:2000 & ISO 14001:2004 certified company.

www.krahejauniversal.com

# Afraid Of Derivatives

**by ashok v. desai**

IN THE GOOD OLD DAYS, THE RUPEE ALWAYS went down. So it was sensible to avoid Rupees and keep one's money in dollars. Reserve Bank frowned on such behaviour, and had elaborate rules on when Indians could hold dollars. But banks respect their clients' privacy; they would not tell RBI what dollars they were holding for their clients. Naughty Indians told their foreign banks not to send statements to their Indian addresses; rich Indians kept houses abroad, so that the statements did not have to come to India. I was once sitting next to a famous industrialist on a flight back to India; he took out a credit card and laboriously destroyed it. If one took such precautions, RBI could never find out, and one could hold any amount of currency abroad. That could be very convenient, since the foreign exchange RBI released to Indians going abroad was measly.

**Import substitution cannot create competitive derivative markets in India; better knowledge of them can**

The economics of foreign holdings suddenly changed when RBI let the Rupee appreciate early last year. Suddenly the Rupee value of the dollars Indians held abroad fell by that much; worse, it created fears that the value would fall even further. Wise, calculating Indians hurried to bring back money they held abroad. RBI would never say this, but return of all this money was one component of the massive rise in its foreign exchange reserves that followed.

It is normal for exporters to give their customers abroad a few months to pay for the exports. The goods take some time to reach; if sent by sea, they may not get there for many months. Once they reached the customer, he would have to go to his bank and ask it to pay the exporter. If there was an RBI in his country, he might have to satisfy time-consuming official requirements. RBI recognised this and allowed exporters six months to repatriate export proceeds.

That was fine when the Rupee always depreciated; the longer a payment for exports took, the more Rupees the exporter got. But it suddenly changed last March, when RBI accidentally allowed the Rupee to appreciate; exporters who had quoted in dollars — and most of them used to — lost some 12 per cent in Rupee terms. Worse still, it created the fear that it might happen again.

The best course in the circumstances would have been to quote in Rupees. But exporters' foreign clients would not commit themselves to pay a fixed sum of Rupees; old payment customs persisted. So exporters tried to hedge by selling their dollar earnings forward. The Indian currency derivatives offered very limited choices; Sebi and RBI defined the products very narrowly. Their restrictions gave foreign markets a chance; New York and Singapore developed very lively Rupee forward markets.

Till then, exporters were borrowing from their Indian banks to give credit to their foreign clients. Once the Rupee began to appreciate, it became profitable to borrow abroad. Not only were interest rates lower, but the exporter would have to repay fewer Rupees than he had borrowed. So exporters told their banks to raise debt abroad. But the dollar fluctuated, and so did interest rates. So they also bought currency and interest futures abroad to cover themselves.

Derivatives traders abroad are sophisticated. They do not take on unlimited risk. They sell a derivative which is valid only within a limit. For example, they say that a borrower would be insured against a rise in interest rate only up to 4 per cent. So very often, exporters bought a hedge and then found that it was worthless.

The transactions were done through the exporters' banks, for RBI does not allow exporters to hedge on their own. The banks had their own exposures in foreign currencies; so they bought derivatives for themselves too.

Thus, the banks and their customers bought a lot of derivatives which turned out to be worthless. They also lost money. The news of the losses reached Reserve Bank, which was appalled at its daughters' folly. It was also miffed that they had handed over so much business to foreign derivatives traders when it was trying to hard to promote derivatives markets in India.

That is the background of RBI's restrictions on Indian firms' and banks' access to derivatives abroad, and Sebi's efforts to create derivatives markets abroad. Both are intent on import substitution and on extending their empires, and they go about it so mindlessly. Cleverer regulators would have set up a department to explain derivatives to those who needed them, and would in the process have acquired an understanding of the world financial markets.

---

The author is Consultant Editor of Businessworld
*ashok.desai@gmail.com*

# Because business is all about attracting more business.

Presenting

THE QUBE

Located strategically at just half a kilometre from the international airport, The Qube is just what your business needs. Choose from vast columnless floor plates from 7000 to 30000 SFT and feel like a baron. Rest assured, that you will have enough room for big profits.

**New-age corporate park in Andheri East**

**at your service :** air conditioned lobbies • landscaped gardens • cafeteria business centre • high quality construction under third party inspection

Designed by : Talati & Panthaky Associated Pvt. Ltd.

Developed by : **Indrajit Infrastructure Pvt. Ltd.**

Site Address: CTS No. 1503 & 1499, Village Marol, Andheri (E), Mumbai - 400059. INDIA.
Tel: 9323149229 / 9833905333. Fax: +912230418260.
Email: sales@thequbemumbai.com

# Missing The Future

**by K. P. Nayar**

**Mukherjee stopped short of meeting US's future leadership**

IF THERE IS ONE COMFORTING LESSON TO BE learnt from External Affairs Minister Pranab Mukherjee's visit to the US from 23-25 March, it is that eight years after Bill Clinton made his presidential visit to India, relations between the two countries are in auto pilot mode. It is a lesson that India's bureaucracy and political leadership that function in 'Yes Minister'-style are refusing to learn. High profile Kremlinesque summits and official dialogue are no longer central to Indo-US relations. However, they can help in consolidating the bilateral relationship if they are imaginatively organised — unlike Mukherjee's visit — with clear, timely goals.

The day after Mukherjee met US President George W. Bush in the White House and wound up his visit with a press conference, the news in the US and international media was that the Tatas had bought up two road icons known the world over, Jaguar and Land Rover, for $2.3 billion. A visit by the external affairs minister at this time was a golden opportunity for India to lay the foundations for India's engagement of post-Bush America. But Mukherjee was stranded by the receding tide of history. In Washington, he stuck to pathways that he had traversed before, tried and tested roads that actually led nowhere. Other foreign ministers who come to Washington these days are impatient to make their routine mandatory calls on Secretary of State Condoleezza Rice or Bush and then go, post haste, to consort with America's future: Barack Obama, Hillary Clinton or John McCain. India's external affairs minister, on the other hand, chose not to leave the familiar territory of a White House he knew.

On America's election battleground, the best he could do was to renew his acquaintance with Ashley Tellis, an Indian American, who is now foreign policy adviser to McCain, the presumptive Republican nominee in the November election. Mukherjee made no contact with the campaigns of Obama or Clinton.

To South Asians like Tellis who are working for the two Democratic presidential aspirants, the implicit message was that India had concluded that the Republicans are going to have another four years in the White House. For the others in the camps of Obama and Clinton, the excessive familiarity of official India with Tellis was proof that the country was still confined by its obsession with people of Indian origin abroad.

With the nuclear deal on hold, Mukherjee could have spread the message that Indo-US relations are not hostage to the star-crossed deal. Indeed, they are not. Since Manmohan Singh's July 2005 visit to the White House, India and the US have opened their skies to each other through a bilateral agreement that has seen some US airlines begin non-stop flights to India with more to follow. A new science and technology agreement is in place and cooperation has been stepped up even in the previously no-go area of defence. Agriculture is a sector that cannot produce catchy headlines. It has, therefore, not been noticed that because of a knowledge initiative between India and the US that Singh insisted on, there is the prospect of another green revolution in India as worries deepen about Punjab lagging behind in food output in a few years.

India is now the fastest growing export destination for American products: 75 per cent growth in just one year. Leaders such as BJP's Jaswant Singh have been of the view that instead of allowing the nuclear deal to become a symbol of Indo-US amity, space cooperation could have been promoted. Chandrayaan-1, India's pioneering moon-bound mission, will take off in a few weeks with active support from NASA, but it is an occasion that will be obscured by the long shadow of the stalemated nuclear deal.

REUTERS

**STRICTLY OFFICIAL:** Indian Foreign Minister Pranab Mukherjee with US President George Bush in Washington

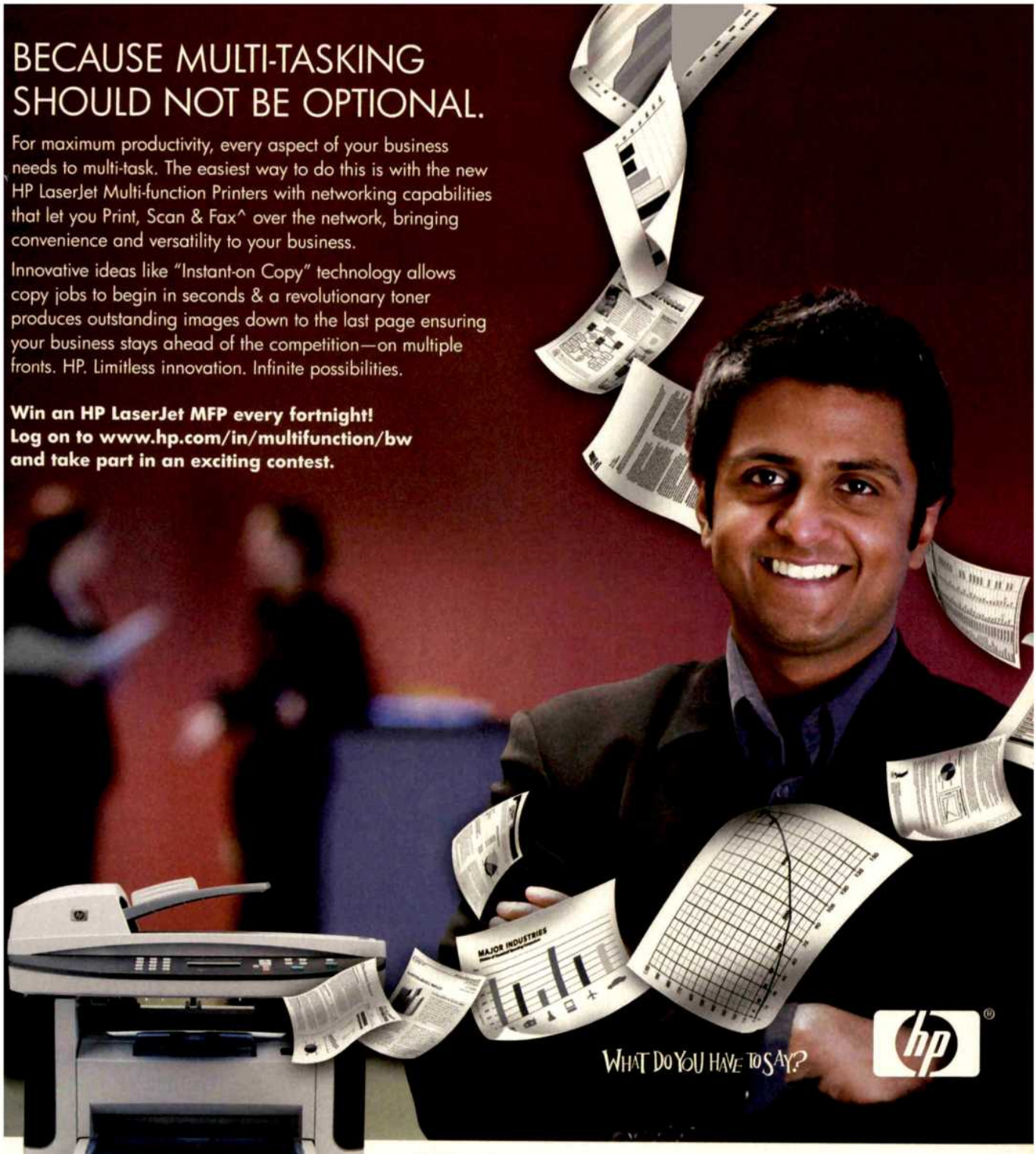
The author is the Washington-based chief diplomatic editor of *The Telegraph*

# BECAUSE MULTI-TASKING SHOULD NOT BE OPTIONAL.

For maximum productivity, every aspect of your business needs to multi-task. The easiest way to do this is with the new HP LaserJet Multi-function Printers with networking capabilities that let you Print, Scan & Fax^ over the network, bringing convenience and versatility to your business.

Innovative ideas like "Instant-on Copy" technology allows copy jobs to begin in seconds & a revolutionary toner produces outstanding images down to the last page ensuring your business stays ahead of the competition—on multiple fronts. HP. Limitless innovation. Infinite possibilities.

**Win an HP LaserJet MFP every fortnight!**
**Log on to www.hp.com/in/multifunction/bw and take part in an exciting contest.**



HP LASERJET M1522 MFP SERIES

**Rs. 21,599*** onwards

- Up to 24 ppm - print and copy
- Network ready
- Private fax receive and Fax Tel option
- Scan to fax, Scan to e-mail

HP LASERJET M2727 MFP

**Rs. 39,599***

- Up to 27 ppm - print and copy
- Private fax receive and Fax Tel option
- Two-sided printing for both print and copy
- Scan to fax, Scan to e-mail

HP LASERJET M1120n MFP

**Rs. 17,899***

- Up to 20 ppm - print and copy
- Network ready
- OCR software, ID copy

Buy HP CARE PACK* to extend warranty to 3 years.

Look out for this assurance of quality.

SMS **"MFP"** to **57575**
Call **1800 4254 999** (toll free, from MTNL/BSNL lines)
or **3030 4499** (from mobile, prefix your STD code)
Visit **www.hp.com/in/multifunction/bw**

*MRP. ^Select models only. Conditions apply. The product visual shown may vary from the actual product. © 2008 Hewlett-Packard Development Company, L.P.

TRIBHUWAN SHARMA

# No Tips And Bonuses

**by Puja Mehra**

**The Pay Panel report is marred by a populist agenda**

THE UPA'S APPOINTMENT OF THE SIXTH PAY COMmission (SPC) headed by Justice B. N. Srikrishna was widely decried as populist play to woo the 4 million central government employees with an eye on the next general elections. The four-member pay panel's report submitted to the government last Monday did little to dent that opinion. "As expected, the SPC has disappointed with a pay rise on expected lines and no new ideas for improving governance," says former Cabinet secretary T. S. R. Subramanium who had implemented the Fifth Pay Commission (FPC). "I expect a rerun of the FPC impact in 1996-97 — a chaos in state finances, slow down of overall economic growth, greater inflation and eventually all-round disappointment."

The UPA set up the SPC in July 2006, in defiance of the Eleventh Finance Commission's (EFC) report. In 2000, the EFC had categorically said there was no need to routinely set up pay commissions because they prove disastrous for finances of states. In the aftermath of the FPC, 13 states were left with no money to pay salaries. The FPC proved costly for the economy too — GDP growth fell from 7.5 per cent in 1996-97 to 4.3 per cent in 1997-98. The rise in the purchasing power of public sector employees jacked up prices, which consequently strained the poor. Fearing an action replay, Madhya Pradesh and Gujarat fiercely opposed the setting up of the SPC and six other states have asked the Centre to share their burden.

The estimated cost of implementing the recomendations is 0.5 per cent of GDP. Though it is less than the cost of the FPC, the states — as Subramanium predicts — may still find it burdensome. The Centre's additional outgo for the recommended largesse would be Rs 15,563 crore for 2008. In 2008-09, arrears alone stand at Rs 30,621 crore. The SPC could inflate the wage bill by Rs 12,561 crore per year, and will have to be borne by the next dispensation.

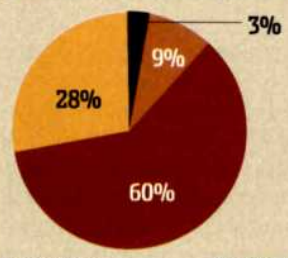
Unlike the states, which are on the path of fiscal recovery, the Centre's buoyant tax collections make the recommended salary hikes look affordable. However, is it productive expenditure that would ensure better governance and thus higher economic growth? "The problem with the government is that it is over-staffed, under-worked and over-paid at the lower levels, and under-staffed, under-paid and overworked at the higher levels," says Hitesh Oberoi, director and COO of Info Edge India — owner of job portal Naukri.com. Truth is, besides creating a spectre for impairing state finances and eroding economic growth, the SPC has also failed to correct anomalies in the composition and the pay structure of the government's workforce. The recommended hikes for different categories of central government employees and defence personnel range from 30-50 per cent. But taxes will lower the actual gains to the senior officers — who are paid less than their private sector counterparts. "The secretary's salary is up from Rs 55,000 per month to Rs 90,000, but the 30 per cent tax rate will reduce the effective gain to barely 18 per cent," says a secretary requesting anonymity. At the lower levels, however, the hikes are far more lucrative. The SPC has pegged the minimum entry level pay at Rs 6,600 from the Rs 4,400 per month right now. "I will get the per month hike plus arrears of Rs 50,000," beams Ram Sharan, a peon in the ministry of rural development in his 10th year of service.

Group C and D government workers, including stenographers, drivers and gardeners get the lion's share (92 per cent) of the Centre's wage bill. They are also the least efficient. Prolific dearness allowances year after year have bloated their salaries to twice that of the private sector. In sharp contrast, senior bureaucrats and gazetted officers constituting Group A and B consume only 8 per cent of the

**ALL FREE LUNCHES:** Group C and D workers earn twice as much as their private sector counterparts

## SKEWED PAY STRUCTURE

Group C & D employees, which comprise 88% of the government's workforce, corner 92% of its wage bill

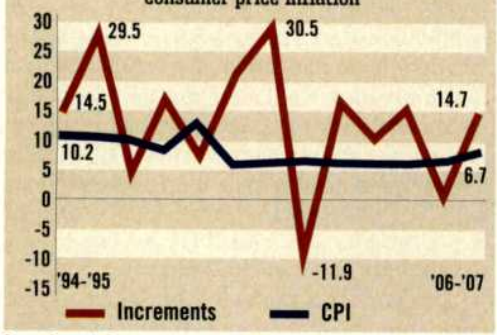



| | | |
|---|---|---|
| A (IAS, IPS) | Rs 17,500 | Rs 38,750 |
| B (IT officers, ACPs) | Rs 15,000 | Rs 32,550 |
| C# (clerks, patwaris) | Rs 8,000 | Rs 18,120 |
| D# (Drivers, peons) | Rs 5,400 | Rs 11,800 |

* In metros excluding perks and benefits; # SPC has recommended merging group D into group C; Pie chart shows the composition of workforce; Source: Ministry of Finance

## MORE FOR LESS

Annual increments to PSE employees far exceed consumer price inflation




Source: Economic Survey — Figures in per cent

Centre's total wage bill. It is their salaries that are in dire need of benchmarking to the private sector. What was needed of the SPC is rationalisation of government emoluments by pruning the workforce in Group C and D, and raising salaries of Group A and B. Instead, it has recommended merging Group D into Group C. "The SPC recommendations fall short of expectations in addressing the three things needed to fix the government's employee problems — pruning the workforce at the bottom and at higher levels, retain talent and incentivise performance," says Oberoi.

The absence of an effective incentive system plagues productivity in the government. A productive government employee gets the same salary, perks and increments as his non-productive colleagues. The SPC's answer to this no pain-all-gain scenario is a measly performance-linked incentive of 3.5 per cent of the total pay for performers against 2.5 per cent to also-rans. It's mantra for reducing staff size is incentives for early retirement. It also wants fewer holidays — something also suggested by

## BELEAGUERED

The Pay Commission will dent the fiscal position of the states and central government

Source: Eleventh Finance Commission Report; figures in Rs crore

the FPC that found no takers. SPC's other tips include market-based pays to scientists, 40 per cent increase in pension and doubling of most allowances. For instance, child education benefits have been doubled to Rs 12,000 a year. For the specialist posts of the heads of power, telecom, insurance, securities and competition regulators, the SPC has suggested a monthly pay of Rs 3 lakh. Even a call centre worker with a few years of experience earns more than that.

Anticipating criticism, the SPC report says the solutions to the government's problems of efficiency and over-staffing must come from the Administrative Reforms Commission. However, as per in the terms of reference for the panel, the government's mandate to the SPC was to recommend pay packages "suitably linked to promoting efficiency, productivity and economy through rationalisation of structures, organisations, systems and processes".

To be fair, buried in the voluminous 650-page report are two noteworthy recommendations, which sound promising. If accepted, they could infuse transparency in senior level appointments. The first suggestion is to open all senior posts, especially those needing specialist skills, to all officials. This is a departure from the current exercise of ad-hoc empanelment of officials into a pool of staff to choose from for each vacant post by the department of personnel. The second is — on demand from a group of bureaucrats keen to make a difference to governance that calls itself IIM-G (alumni of the IIMs) — on lateral entry to senior administrative posts from outside government. So, bureaucrats have to compete with professionals for jobs, which the IAS lobbly is sure to fight tooth and nail. Besides these two, the panel falls short of spelling out ways to make the government lean and efficient. The SPC could've been the stepping stone to break from the past, but it's just another political gimmick.

*puja.mehra@abp.in*

# Spring Cleaning

**by Rajesh Gajra**

**Sebi chief C.B. Bhave wants all pending decisions cleared fast**

SEBI'S NEW CHAIRMAN C.B. BHAVE HAS BEEN AT HIS seat just a month but appears to be leveraging his vast experience in the securities market to clear up the backlog of pending decisions. Bhave was an executive director of secondary markets in Sebi for four years in the early 1990s and after leaving Sebi, he headed NSDL from 1996 to February this year.

Recent Sebi circulars indicate final decisions being taken on long-overdue critical issues affecting the secondary market operations involving stock exchanges, depositories, their members and investors. It only goes to show how experience of the markets for a Sebi chairman can be so useful in terms of taking timely decisions. One such decision, taken on 19 March, was to make it mandatory for stock exchanges to collect margins from institutional investors for their cash market trades. These will now apply to domestic mutual funds, foreign institutional investors, insurance companies and banks which invest in equities through brokers on the stock exchanges.

Retail investors, traders and non-institutional corporate investors have all along been paying margins. Mandated by Sebi, the National Stock Exchange (NSE), the Bombay Stock Exchange (BSE) and other exchanges collect three types of margins — value at risk (VaR), mark to market (MTM) and extreme loss. Of these, VaR and extreme loss are upfront margins, whereas the MTM margin is paid before the start of the next trading day.

Institutional investors, who were exempt from these margins, will now have to pay them to their brokers, through their custodians, with effect from 21 April. The issue of bringing the two sets of investors — institutional and non-institutional — on an equal footing had been dragging on for many years even though the T+2 settlements and the settlement guarantee mechanism on NSE and BSE met the international standard requirement of most FIIs.

Sebi's move has been well-received by all participants but has not factored in some nuances, particularly those affecting index funds. "Our index funds have to keep our entire corpus invested in index stocks. During corporate actions and index reshuffle, when we buy new or underweight stocks and sell outgoing or overweight stocks, getting the cash to pay the margins would be a problem," says Sanjiv Shah, executive director at Benchmark Asset Management.

Sebi has also fixed 21 April as the deadline for NSE and BSE to operationalise their respective securities lending and borrowing schemes, which will enable short selling in the cash market. Sebi had given the green signal in December 2007 but NSE and BSE were seen to be dragging their feet on the matter.

*BW* learns that the new Sebi chief has intensified the consultation process with internal officials and market participants. The changing secondary-market dynamics are now being put before an expedited consultation process.

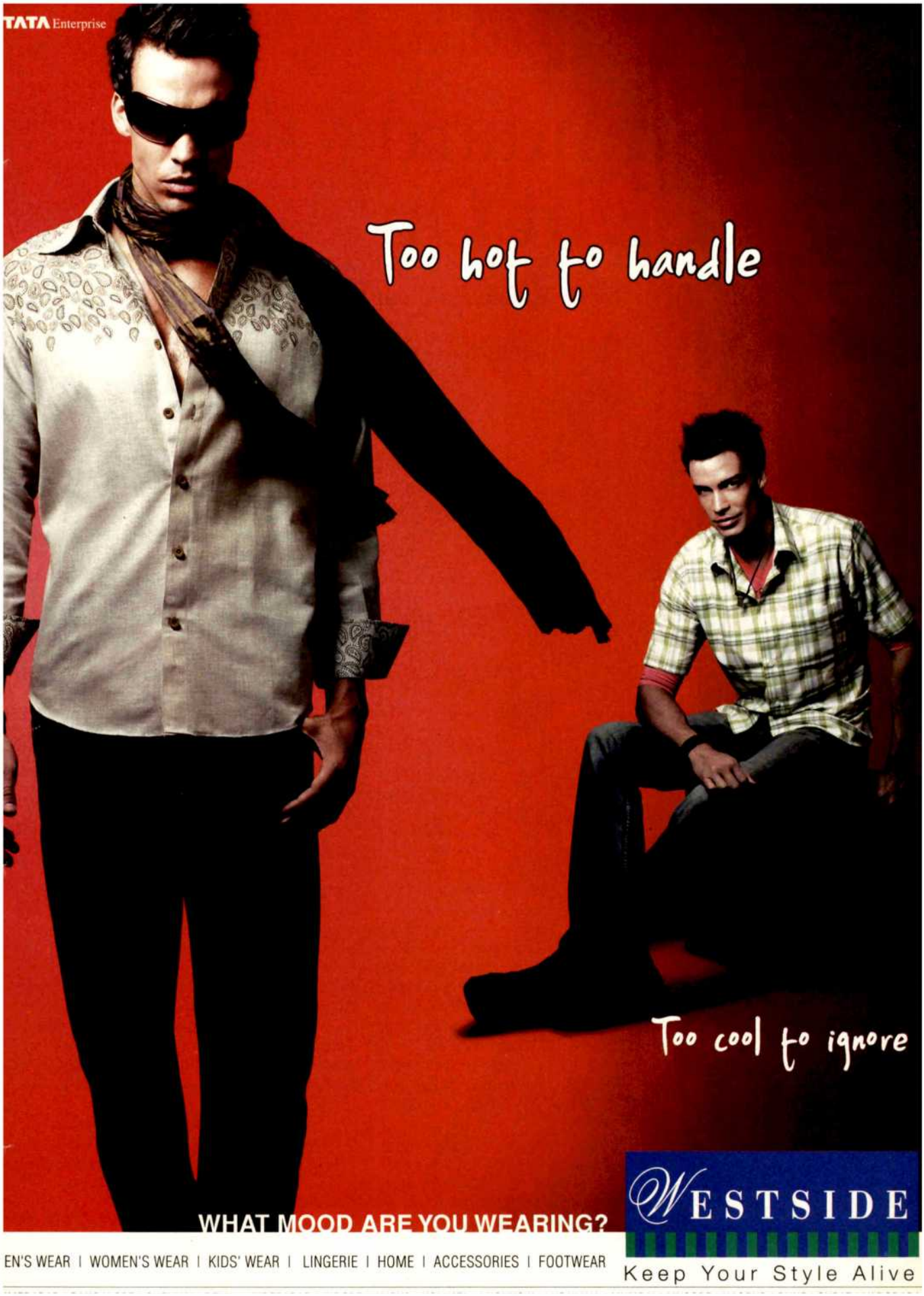
In a tight T+2 settlement environment where brokers increasingly force investors to pay funds or deliver shares even before the trade is executed, market rules do not give investors the same protection of arbitration as they get once the trade is executed. There is a possibility of Sebi directing stock exchanges to — after relevant checks — give pre-trade transfers made by investors to their brokers the same standing as those made after the trade is executed.

Expect much more rapid-fire action from Bhave in the coming year or two. Particularly, he needs to pay attention to upgrading regulations on primary market disclosure norms, mutual funds, FIIs (especially the P-notes issue), takeovers and insider trading. Hopefully, he will stay the course.

*rajesh.gajra@abp.in*

**PUTTING MARKET EXPERIENCE TO USE**
**The issue of bringing the two sets of investors — institutional and non-institutional — on an equal footing had been dragging on for years. But not any more**

ILLUSTRATION: KISHORE DAS


TATA Enterprise
Too hot to handle
Too cool to ignore
WHAT MOOD ARE YOU WEARING?
EN'S WEAR | WOMEN'S WEAR | KIDS' WEAR | LINGERIE | HOME | ACCESSORIES | FOOTWEAR
WESTSIDE
Keep Your Style Alive

# Standard Fight On

**by K. Yatish Rajawat**

ILLUSTRATION: ANTHONY LAWRENCE

**Microsoft loses the battle, but will it win the war?**

ON 29 MARCH, 82 MEMBER COUNTRIES OF GENEVA-based standards body ISO will vote on whether to accept Microsoft's OXML as a global standard for documentation in the computing arena. To decide which way India will vote in Geneva, the Bureau of Indian Standards (BIS) put the issue to an internal vote among its members on 20 March. The result was a resounding 'nay', with 13 of 18 members voting against OXML. Now, Sharad Pawar, the Union agriculture minister, has to sign the vote and it will be recorded as a 'nay' with ISO. The final decision on the standard would, of course, be decided in the ISO vote.

Interestingly, this time around, software industry body Nasscom, which had abstained from voting last September, voted in favour of OXML. "An overwhelming majority of our members felt that we should have two standards, as it would give consumers choice and add to competition in the marketplace," says Nasscom vice-president Rajdeep Sahrawat. Nasscom's argument appears strange as Microsoft dominates the software market and the approval of a new standard does not really add to choices. Currently, ISO has one documentation standard called ODF (open-document format). These standards are analogous to, say, standards in paper sizes, such as A4. They determine everything from how documents will be stored to how different computing environments will accept one another's documents.

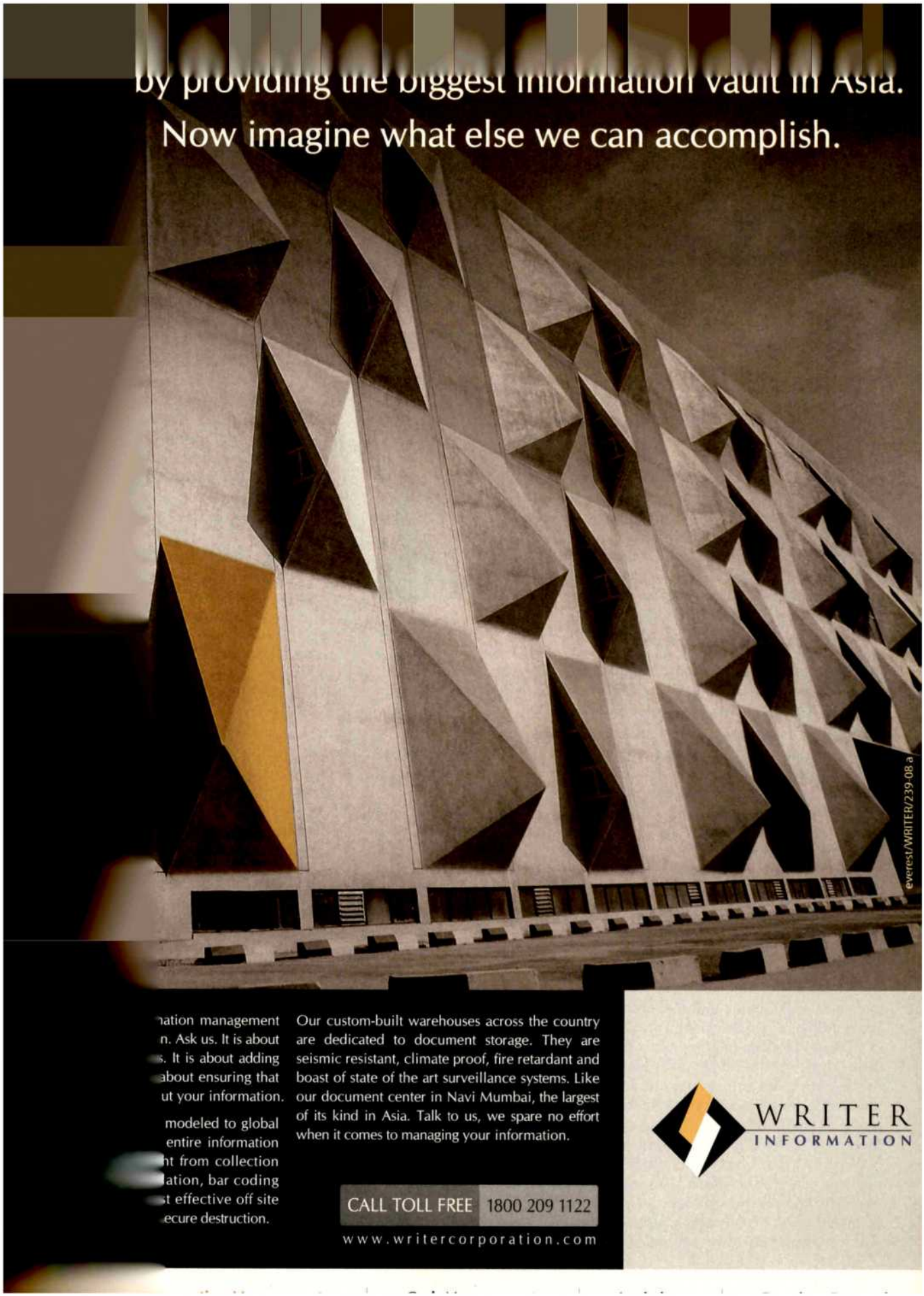
The BIS committee obviously did not see merit in the arguments of Nasscom and industry members such as TCS and Infosys. The rival lobby from open-source software companies, such as IBM and Sun Microsystems, is praying that there is no slip up before the vote. There was intense lobbying by both groups. There were even rumours of Microsoft chief Steve Ballmer coming to India for lobbying, which Microsoft officials say never happened.

The real issue, however, is: will OXML finally be accepted as a global standard by ISO? It is within the realm of the possible, because the approval process is inclusive and consensus-led. This is the second round of voting for the standard, after the one in September 2007. For a standard to be approved, 66 per cent of an ISO committee of 82 member countries has to be be in its favour, and less than 25 per cent against it. Last September, this committee had 53 per cent vote in favour of OXML and 26 per cent opposing it, which led to the rejection of the standard (see 'World With Two Standards', *BW*, 17 Sept 2007). Members opposed to the standard were asked to iron out their objections with Microsoft. On its part, Microsoft had lobbied hard in the September vote — so hard that the European Commission is investigating whether it put undue pressure on the voters. A Microsoft spokesperson told *BW*, "We will cooperate fully with the Commission's investigation and provide any and all information necessary."

"There are at least 10 countries which were not part of the ISO committee but became members at the last moment and voted in favour of OXML in September," says Venkatesh Hariharan, who represents open-source company Red Hat. Microsoft officials say they can't reveal countries likely to change their vote from a 'nay' to an 'aye', but some countries, such as the US, have publicly said they will vote for OXML.

While the anti-Microsoft lobby in India cheers the BIS vote, 29 March is the day Microsoft is waiting for with bated breath. Till then, its fight continues.

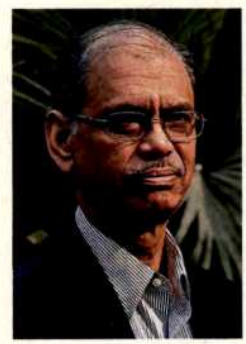
*yatish.rajawat@abp.in*


by providing the biggest information vault in Asia.
Now imagine what else we can accomplish.
everest/WRITER/239-08 a
nation management
n. Ask us. It is about
s. It is about adding
about ensuring that
ut your information.
modeled to global
entire information
ht from collection
lation, bar coding
st effective off site
ecure destruction.
Our custom-built warehouses across the country are dedicated to document storage. They are seismic resistant, climate proof, fire retardant and boast of state of the art surveillance systems. Like our document center in Navi Mumbai, the largest of its kind in Asia. Talk to us, we spare no effort when it comes to managing your information.
CALL TOLL FREE 1800 209 1122
www.writercorporation.com
WRITER
INFORMATION

# Tibetan Olympiad

**by nayan chanda**

MORE THAN TWO DECADES AGO, WHEN CHINA was beginning to open up to the world, its architect Deng Xiaoping acknowledged the risks involved in the move. But all things considered, he said, it was better to "Open the windows, breathe the fresh air and at the same time fight the flies and insects." China's opening to the world was accompanied by a campaign against "spiritual pollution", which included notions of democracy and press freedom, as well as pornography and drugs. China has faithfully followed his advice and emerged as a poster child of globalisation. But recent concerns about protests and repression in Tibet have cast a shadow over the 2008 Summer Olympic games and come as a rude reminder of the risks of China's participation in a globalised world.



**Today's world of mobile phone cameras, YouTube and blogs may multiply Beijing's shame**

The first truly globalised challenge to China's authoritarian leaders came in the form of pro-democracy demonstrations in Beijing's Tiananmen Square in 1989. Concerned about its international image in cracking down on protests while Soviet president Mikhail Gorbachev was making his historic visit, China decided not to react. Ultimately, however, the country's leaders took a decision to allow their global image to take a backseat to regime survival. Broadcast live from the square, the Tiananmen upheaval became the iconic moment of China in a globalised world.

That shock did not, however, weaken China's embrace of globalisation. China's rapid rise as an economic superpower since 1989 has justified Deng's open door policy. Hundreds of billions of dollars of foreign investment have flowed into China (some $75 billion in 2007 alone) creating more than half a million new enterprises and turning the country into the world's workshop. Its foreign trade rose to $2.17 trillion last year from a mere $21 billion in 1978 (in real terms). More than 5,000 Chinese companies have invested in enterprises in 172 countries around the world. As the world's second largest economy, China has sought to burnish its status as a global power by hosting a glittering Olympics. Billions of dollars worth of contracts have been signed with sponsors and television networks to broadcast China's success story around the world.

However, the global connections that have enabled China to claim its day in the sun also expose the country to the risk of a huge embarrassment. China's critics are keen to seize upon this moment of vulnerability to shine an uncomfortable spotlight on Beijing's image-obsessed leaders. Darfur activists have been pressuring China to end its support for the regime in Sudan by dubbing the summer games as the "genocide Olympics". The anti-Chinese rioting in Tibet and other Tibetan-inhabited regions that erupted in early March also brought unflattering world attention to the country. Unlike in 1989, when foreign television networks dependent on China's broadcasting service were the sole means of distributing news video clips, today's world of mobile phone cameras, YouTube and internet blogs threatens to multiply Beijing's embarrassment. Within hours of the reports of violent Tibetan protests and the People's Liberation Army's hesitant response, Tibetan and other demonstrators took to the streets, from New Delhi to New York. Even some Chinese intellectuals have circulated an open letter to the Communist Party on the internet, urging them to behave in a civilised manner and hold dialogue with the Dalai Lama. Foreign leaders have so far rejected calls to boycott the games but have diplomatically urged China to exercise restraint. The Tibetan challenge, if mishandled could have serious domestic and external consequences. Gentle treatment could not only encourage more Tibetan protests, but also spur other disgruntled minorities. But if violent rioting continues and the regime's use of force unfolds under the glare of the international media, China's crowning moment will be overshadowed. Even absent a boycott, the failure to bring the turmoil under control soon could result in reduced foreign attendance, and tourism could also suffer. Fully aware of the high stakes, Beijing has shown restraint in dealing with the protests. While blaming some in the West for supporting anti-Chinese rioters, Beijing has highlighted supportive statements from foreign governments and overseas Chinese associations and censored foreign broadcasts.

As the Olympics approaches, China's windows will be wide open, but so will be the spotlight on its attempt to swat "flies and insects."

The author is Director of Publications at the Yale Center for the Study of Globalization, Editor of YaleGlobal Online.
*boundtogether.bw@gmail.com*

everest/WRITER/239-08 b

# We'll move your household as carefully as you can imagine.

know that the picture frame by your bed is just metal, glass or paper. It's a fond memory t needs the kind of care our relocation experts ve mastered.

at's why we have in-house carpenters to build cial crating for your prized possessions and & artifacts. Similar care is extended to your niture. We have dehumidifying systems to tect it from damage while traveling through erent climate zones. Special wardrobe cartons ke sure your suits are not creased in the least. forated packing material for footwear allows it to breathe. Even toys receive special attention to make sure they move and play just like before.

All this expertise is backed by efficient systems, a global network and state-of-the-art infrastructure that guarantees your belongings arrive just the way you want them. No wonder our clients, both national and international, agree that we take 'Handle with Care' to a whole new level.

CALL TOLL FREE 1800 209 1122

www.writercorporation.com

WRITER
RELOCATIONS

locations | Information Management | Cash Management | Logistics | Premium Properties

A BWI SPECIAL PRESENTATION

# Being Customer Focused: The Customer Advocacy Imperative

*G.B. Kumar, senior vice-president, Customer Advocacy, Cisco India*

**TILL A FEW YEARS AGO, COMPANIES** completely relied on push/pull marketing to sell their products and services. Tracing back the evolution of marketing, you will notice a shift in the 1990s with the focus moving to relationship marketing. More recently, the dramatic increase in customer power is forcing the conventional rules of marketing and customer relationships to change.

Rapid strides in technology now allow customers to access information on a company and its products from myriad sources, going beyond simple search to customer reviews through blogs and social networking sites, thus achieving unprecedented access and power. Customers are also increasingly shunning the ever growing wave of marketing efforts as telemarketing calls and spam only add to customer angst.

Indeed, according to MIT Professor Glen Urban, an authority on trust based marketing, established push/pull marketing no longer works and even highly touted customer relationship initiatives are failing. Today's increasingly educated consumers expect companies to do more than relationship marketing. It's in this environment, that the need for customer advocacy attains great importance. Customer advocacy is doing what's best for your customer and truly representing your customer's interest through a mutual dialogue and partnership. As Professor Urban puts it, just as push/pull marketing was driven by the economics of mass production, and relationship marketing impelled by the saturation of push marketing and intense rivalries, so will customer advocacy become the next imperative because of the accelerating growth of customer power.

As customers become ever more demanding, less tolerant, and more skeptical, advocacy has become the favored strategy as companies seek to deal with the changing power equation. Customer advocacy is being successfully applied by companies across different industries with companies such as Starbucks and Harley Davidson being able to create high levels of customer engagement.

To realise its full potential, companies need to ensure that customer advocacy is an essential component of their corporate culture, such that it encourages employees to be committed to the customer and go beyond in-the-box customer service.

Globalisation and market trends such as personalisation are creating the need to deliver highly customised service offerings around the world to customers with diverse capabilities, skill sets, and requirements. Clearly, one size no longer fits all in the service industry. This means that companies, which have traditionally managed 'break-fix' service delivery on the back-end of the sales cycle, can no longer afford to focus their efforts solely on that reactive support model and still expect to maintain or improve customer satisfaction. The very notion of customer satisfaction as the end goal is no longer appropriate in today's competitive world.

Today customers are looking beyond device-based value propositions and are demanding solution-based value propositions, more proactive thought leadership, increased knowledge transfer, tailored offerings, and consistent quality. Customer advocacy based marketing will enable companies to help customers improve their productivity, reduce operational costs, and get their applications and services to market as quickly as possible.

In today's world, the focus in technology has shifted from computing and data processing transactions to interactions and collaborations, where the value is in the real-time exchange of information and the connections between people and companies. When the network becomes the platform, customers can shift their attention from transactions to interactions and companies should be able to collaborate with customers in this process.

Companies that advocate for customers create more opportunities to sell a broader range of products and solutions. When companies realise that they need to transition from a focus on satisfaction to loyalty, they will understand the *'customer advocacy'* imperative.

Businessworld

# A GRAIN OF TRUTH


**34 Cover Essay**
Agriculture has got caught in a logjam of diminishing returns and bad government policies. What should India do to make the farm sector work?

**42 Statistics**
There is no better way to tell the sorry story of India's farmers than in numbers.

**44 Column: Yashwant Sinha**
Right management of the country's food economy will be the first step towards gaining self-sufficiency in foodgrain.

**46 Compound Interest**
Due to lack of efficient public or cooperative banking, a large number of farmers in India are still in the grip of moneylenders.

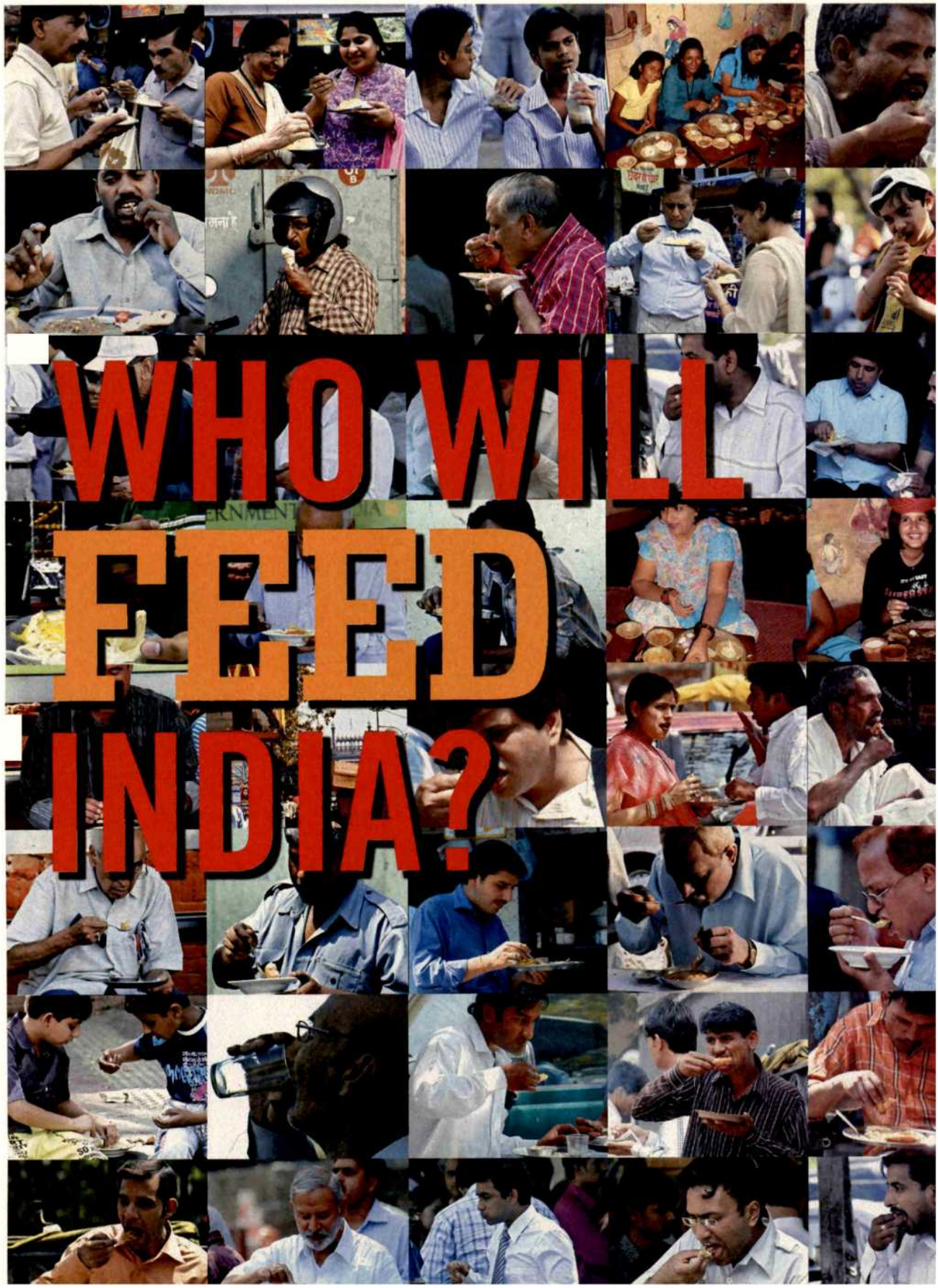
**50 Column: Ramesh Chand**
The public distribution system has been attacked for leakage and pilferage. There is no better option. Just set it right.

**52 Q&A: M.S. Swaminathan**
A Punjab farmer with five acres earns less than a Class-IV government employee.

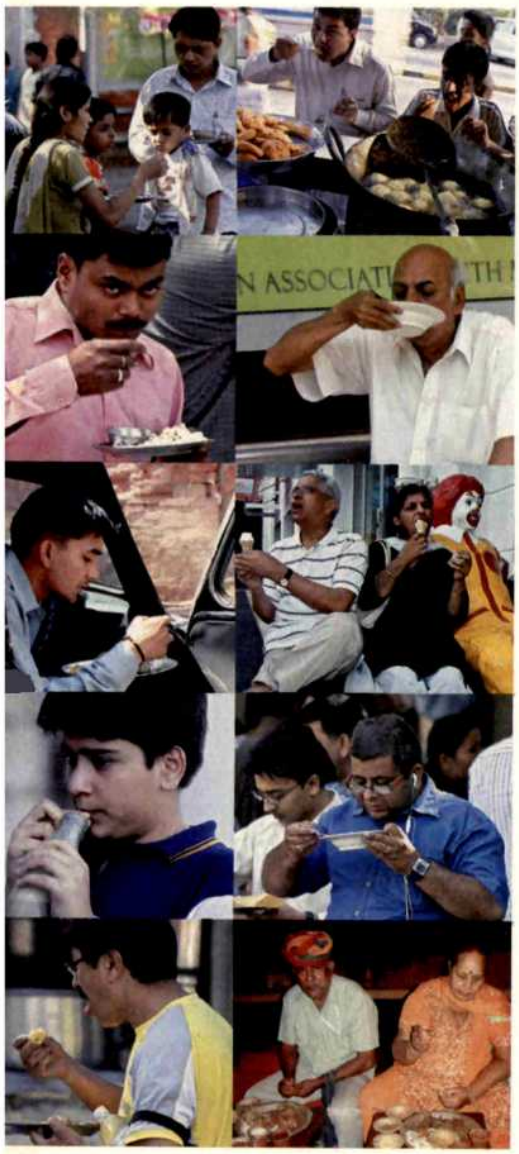
**54 Solutions**
The solutions to the ills of agriculture are not quick, yet they will work very well.

**58 Column: D. Raja**
The overall strategy should be to make agriculture more remunerative. To achieve this, the government's policies must change.


PHOTOGRAPH: SANJAY SAKARIA



# WHO WILL FEED INDIA?



# We need a second Green Revolution to be self-reliant in foodgrain production

By P. Vaidyanathan Iyer with Dhanya Krishnakumar, Jayant Singh, M. Allirajan and M. Rajendran

AMAR SINGH, A CHEERY-FACED farmer at Bugga in Ludhiana district of Punjab, says he remembers he used to grow wheat on his expansive 100-acre farm 20 years ago, when Jat star Dharmendra was still one of Bollywood's hottest men. Today, Dharmendra is making a comeback as a senior character actor. And Singh, 63, who spends his evenings on a cot in his fields, listening to the birds, cultivates just about 10 acres of his land. The rest is leased out for Rs 20,000 per acre for the year. "Neither do I have a big family to tend the vast tracts of land, nor does farming pay much," rues Singh.

Down at the other end of India, R. Muthusamy, an outspoken paddy farmer, tending his two cows and a buffalo, says he owns six acres of farmland in Coimbatore, and the only reason he continues is his passion for farming. Ploughing his farm since he was a teenager, Muthusamy, also 63, has not yet thought seriously about disengaging from the occupation he and his ancestors have been involved in for millennia. "With rising labour and input costs, including that of fertilisers, paddy is a loss-making proposition," he says. "It is unaffordable even if banks do not charge interest on loans. I shifted to growing coconuts and bananas about seven years ago."

Both Muthusamy's and Singh's stories are echoing all over India, where farmers facing increasing hardship are giving up tilling their fields for grain, and are either moving to nearby towns or switching to cash crops. This is particularly so in Punjab, the nation's granary, where prosperity allows farmers to invest in expensive inputs such as seeds, special fertilisers and irrigation systems to grow cash crops.

The farmers who stick to growing staples are producing very little per acre, compared with the rest of the world. For example, while India produces about 2,617 kg of wheat per hectare, China grows 4,455 kg a hectare, and France and the US grow 6,740 kg and 2,825 kg, respectively. The cumulative result of all this is that India's foodgrain output has grown at a meagre 0.48 per cent over the past 10 years and per capita availability of foodgrains has dropped 15 per cent to 440 grams a day in the past 15 years, according to the statistics from Ministry of Agriculture. As the GDP continues to boom and population grows at 1.19 per cent (as estimated by the National Commission on Population) to touch 1.33 billion by 2020-21, the demand for foodgrains is expected to touch 280.6 million tonnes. This means, foodgrain production has to grow 2 per cent a year over the next decade,

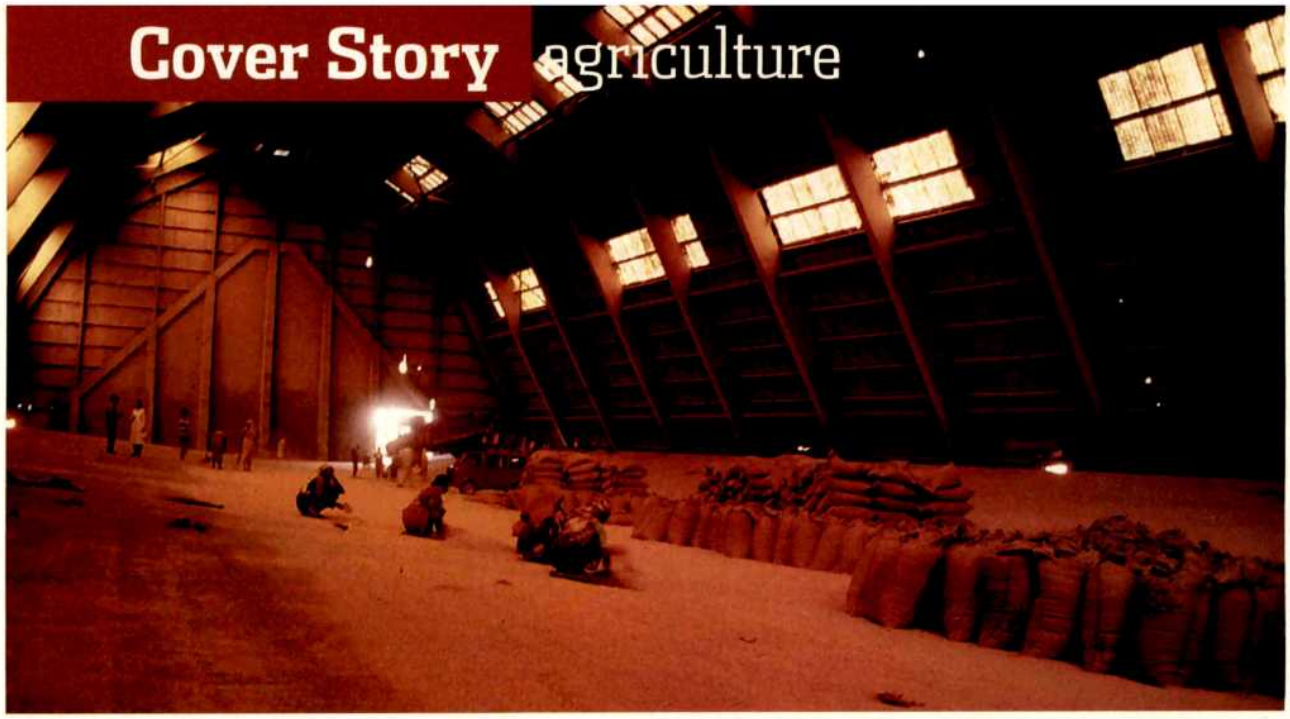
Source: Reuters

Source: Reuters

Source: Reuters

## EXECUTIVE SUMMARY

- The country used to have a foodgrain surplus a few years ago. Today, it has to import foodgrain
- For self-sufficiency, the government must discover ways to make farming financially attractive, and devise policies to achieve systemic efficiencies



**BUFFER GONE**
**Actual foodgrain stock has been below the buffer norms almost every quarter in the past few years**

more than four times the current growth rate! India's self-sufficiency in food, one of its most prominent accomplishments, seems to be slipping through its fingers. "An agricultural emergency is developing not only in India, but globally," says M.S. Swaminathan, the father of India's Green Revolution, and chairman of MS Swaminathan Research Foundation in Chennai. "I am deliberately using a strong word, but we have a serious problem at hand."

China, which faced a similar situation in 2000, has placed renewed emphasis on agriculture and has been importing foodgrain from the US and other countries. But, while India now has the hard currency and comfortable foreign exchange reserves of over $300 billion necessary to pay for expensive food imports, the country does not have the ports or logistic systems needed to handle large imports of food. Moreover, China's appetite for food has eaten into global grain stores, raising prices and diminishing supplies at a time when the biofuels industry is already precipitating a food shortage by swallowing a large quantity of grains every year. As a result, the world is in the throes of a severe food shortage, one of the worst in recent history. Earlier this month, the United Nation's Food and Agricultural Organisation warned that the global foodstock outlook had reached a critical stage. Wheat stocks in 2008, for instance, are forecast at 142 million tonnes, down from 197 million tonnes in 2001, and the lowest since 1982. Similarly, rice stocks are expected to tumble to 107 million tonnes in 2007 from a high of 136 million tonnes in the corresponding period. The World Bank says the shortage has caused global food prices to rise 75 per cent since 2000. Wheat prices have risen 200 per cent in the past eight years. In the past 12 months alone, global wheat prices have jumped more than 50 per cent to over $10 a bushel (27.215 kg). The food-price index of the United Nation's Food and Agricultural Organisation, based on the export prices of 60 internationally traded foodstuff, rose 37 per cent in 2007.

This has created a great irony. Farmers in developing countries, such as India are suffering from low purchase prices — 1,36,324 farmers have committed suicide in India from 1997 to 2005 due to indebtedness, the government says. But farmers in Europe, the US and Brazil are making unprecedented margins even as citizens in developing countries are raging against rising grain prices.

But protests do not determine markets. With grain prices poised to rise further, the world's desperately poor, who can barely afford one square meal a day, will become vulnerable to starvation. As governments everywhere will undoubtedly and rightly move to protect the poorest with food subsidies, the financial burden of this will impede development.

### The Biofuel Trap

Ironically, a strategy that evolved partly in order to save the planet from devastation by greenhouse gases is now burdening the world's already short food supplies. Only a few years ago, most of the US's maize was utilised as cattle feed or sent abroad as food aid. However, when US President George W. Bush exhorted his country to begin producing non-fossil fuels, vast swathes of US farmland switched from granaries to the gas industry. With oil at a historic high of about $105 a barrel, more than 2.1 billion bushels or 20 per cent of the US's corn crop

is now used to produce the biofuel ethanol, according to credit rating agency CRISIL. European countries are also using edible vegetable oils to create bio-diesel. For example, refined oil of rapeseed, or Canola, is used for direct injection into trucks as fuel. Brazil and India also make ethanol from sugarcane. China uses wheat and rice, besides corn, to manufacture bio-ethanol. In India, this trend has even prompted an increased shift of acreage of essential crops to fuel-producing crops, such as jatropha, says Sharad Joshi, a Rajya Sabha member and founder of farmers' movement Shetkari Sanghatana. "This trend will fuel an agricultural crisis in the long term," he says.

### Global Warming is Singeing

If all this was not enough to seriously cloud India's vision of itself as a self-sufficient nation able to feed its growing masses in the next few decades, global warming — which biofuels promise to eventually halt — is still on. This has already begun to wreak havoc on the world's major food growers, including India. Across the world, an area of fertile soil the size of Ukraine is lost every year because of drought, deforestation and climate instability, according to the UN. Last year, Australia experienced its worst drought in over a century and its fifth in a row; it saw its wheat crop shrink by 60 per cent. Domestic players have also begun feeling the heat. Naresh Ghai, one of the largest flour mill operators in Punjab and president of Punjab Roller Flour Millers' Association, says that high temperature during the first fortnight in March is atypical, and largely due to climate change. This has caused considerable nervousness in the market about wheat production this year. Harvest in Punjab, which accounts for over a fifth of India's total wheat production, is just a week away, and a temperature rise will reduce output significantly. "With global warming... there could be serious flooding on the Gangetic plain," says Swaminathan. "We must be ready with a drought code, a flood code, and a good weather code." (see interview on page 52). For example, Swaminathan says, in case of floods, areas should be prepared to grow deep-water or floating rice.

### Governance Deficit

Many of these issues could be manageable if India focused its efforts. But for now, squabbling and disconnects between various ministries are impeding the development of a new national agricultural plan. For example, the Rs 4,882-crore National Food Security Mission (NFSM) announced in 2007 to increase foodgrain production by 20 million tonnes (rice 10 mt, wheat eight mt and pulses three mt) over the next four years, does not deal with how water will be made available to farmers, as this is a matter for the Minister of Water Resources. "The mission will not succeed if a holistic view — which includes soil, water, nutrients and variety — is not taken," says Swaminathan.

There is also a leadership problem. Privately, many government officials and food experts say that Agriculture Minister Sharad Pawar, who did not make himself available to comment on this story despite repeated requests, appears to have little time for his ministry. Instead, his critics say, he seems to be more interested in wearing his other hat, as BCCI chief and ensuring that the organisation's Indian Premier League gets off the ground and trumps its competitor, Subhash Chandra's Indian Cricket League. Many ministry officials say the minister is rarely in New Delhi and summons them to the Cricket Club of India in Mumbai for meetings. Pawar's defenders, however, say the minister is acutely aware of the situation on the ground.

Wherever the fault for misgovernance may lie, it has meant that India's crop yields remain low because of lack of technology and inadequate finance. "We are still mired in the low-input, low-output syndrome," says Gokul Patnaik, chairman of Global AgriSystems, a consulting firm specialising in agriculture. For instance, in developed nations, farmers use laser technology instead of tractors to plough land, and this helps in optimising the use of various inputs, such as water and fertilisers. "But investment in this kind of technology is beyond the reach of small farmers," says Patnaik, who engineered a landmark partnership between Pepsico and Punjab Agro in the 1990s.

Besides technological improvements, productivity is also a function of investment. All

Yield In Wheat (kg/ha)

| | 2003 | 2004 | 2005 | 2006 | % change '06 over '03 |
|---|---|---|---|---|---|
| China | 3,931.96 | 4,252.07 | 4,275.39 | 4,455 | 13.30% |
| France | 6,249.89 | 7,578.74 | 6,988.67 | 6,740.72 | 7.85% |
| India | 2610 | 2,713.18 | 2,601.57 | 2,618.96 | 0.34% |
| USA | 2,971.67 | 2,902.91 | 2,902.17 | 2,825.28 | -4.93% |

Source: FAO

Yield in Rice(kg/ha)

| | 2003 | 2004 | 2005 | 2006 | % change '06 over '03 |
|---|---|---|---|---|---|
| China | 6,060.78 | 6,308.73 | 6,250.83 | 6,265.15 | 3.37% |
| India | 3,117.66 | 2,975.6 | 3,152.08 | 3,123.8 | 0.20% |
| Indonesia | 4,542.65 | 4,536.49 | 4,574.62 | 4,771.93 | 5.05% |
| Vietnam | 4,638.74 | 4,855.26 | 4,883.32 | 4,891.43 | 5.45% |

Source: FAO

over the world, productivity increases have resulted from increase in high-cost inputs. Still, India's public investment in agriculture has been pathetically low despite the fact that more than 50 per cent of Indians derive a livelihood from farming. Gross capital formation (GCF) in agriculture as a percentage of total GCF has dipped from 8.6 per cent in 1999-2000 to 5.8 per cent in 2006-07. "It is true, we have not invested adequately in the past," says Abhijit Sen, member (agriculture) of Planning Commission. "But public investment has risen during the last two years."

One area where investments are most needed is soil management. "We need things like soil-testing laboratories, including mobile ones that can go and give every farmer a soil health card," says Swaminathan. One way to bring such investments into farming would be to encourage contract farming, where private sector players, such as newly-opened retail chains, help farmers produce food and contract to buy their output. "You can really help small farmers through contract farming, without really alienating them from their land," says Rakesh Mittal, who oversees Bharti Enterprises' FieldFresh Foods, which produces corn in partnership with 80 farmers over 500 acres in Punjab for exports.

In contract farming, Patnaik says, the sponsor company actually transfers technology and gives easy credit to farmers, which gives them the safety net they need to build scale.

But both New Delhi and most state governments have resisted contract farming and have not amended laws that restrict ownership of land by a single entity to 17-25 acres. This is a vote-bank issue, and farmers' fears of land alienation and mistrust of the private sector have not helped the cause of contract farming. Instead, political parties have preferred debt waivers or hiking food subsidies as a stop-gap solution to their travails. But, as former finance minister Yashwant Sinha points out, almost 25 per cent of the food subsidy bill represents the carrying cost of buffer foodgrain stocks maintained by the Food Corporation of India. While central farm subsidies have jumped from Rs 2,450 crore in 1990-01 (2.33 per cent of government's total expenditure) to Rs 31,545 crore in 2007-08 (4.44 per cent of total government spend), it has not helped create lasting assets in irrigation or soil upgradation, so crucial for better productivity. "The Rs 60,000-crore debt waiver could have been used to drought-proof 60 million hectares of dry land at Rs 10,000 per hectare," says Vijay Mahajan, 42, a graduate from the IIT and the IIM, who spearheads Basix, a microfinance institution in Andhra Pradesh. "This can permanently secure the livelihood of at least three crore of our poorer farmers in rain-fed areas."

**MAKE IT PAYING**
**The MSP must be 50 per cent more than the cost of production to make it viable**

## Food Crunch

The latest estimate by the agriculture ministry pegs wheat production in the country at 74.8 million tonnes; that's 1 million tonne less than last year. Rice output is forecast to drop to 12.6 million tonnes from 13.2 million tonnes the previous year, and pulses from 9.4 million tonnes to 8.6 million tonnes.

While the fall in total production may seem small, the full impact of the government's inept agricultural policies best reveals itself in per capita food production statistics. In 1975, India produced 183 kg of food per person. In 1995, this figure rose to 205 kg. But in 2005, it was down to 186 kg, according to the economic survey. Falling yields forced India to import 5.5 million tonnes of wheat last year at an average cost of $204.7 a tonne. This year, it has already imported 1.8 million tonnes at $374 a tonne!

Agriculture Minister Pawar has insisted in Parliament that overall foodgrain availability this year will be 5 million tonnes in excess of demand, despite numerous other experts saying India would be forced to buy more food from the world markets this year.

Importing food has its problems. For one, world food prices are sub-

SANJAY SAKARIA

ABP

stantially higher than domestic ones. For example, imported wheat costs about Rs 1,500 a quintal while domestically the minimum support price (MSP) is Rs 1,000. So domestic farmers feel cheated when the government opts for high-cost imports but finds it difficult to accommodate modest rises in the MSP, says Joshi of Shetkari Sanghatana.

Given the comfortable position in food stocks earlier (over 60 million tonnes buffer in 2002), India did not feel the need to hike the MSP, especially when global prices were soft.

Stocks were diluted over the next couple of years, and, since July 2005, actual stock has been below the buffer norms almost every quarter. So, for food security purposes, India imported wheat at a price almost 50 per cent more than the MSP it paid its farmers.

## A Leaking System

Ironically, five years ago, food policy makers were battling a completely different situation — excessive grain supply. In May 2002, Arvind Virmani, now chief economic advisor to the finance ministry, had written a paper for the Planning Commission that stated "the problem facing the country today is not one of shortage of foodgrain but finding ways and means of managing the accumulated surplus. The stock of foodgrain available with the government agencies as on April 1, 2002 was 50.95 million tonnes, well above the normative buffer stock, prescribed by the government."

But now while India grapples with a problem of chronic under-production, blatant mismanagement and corruption ensure that food regularly leaks out of our storage and distribution systems. Pronab Sen, India's chief statistician, points to Pakistan and Bangladesh as an extension of the domestic marketplace where illegal food gets diverted. "It may be true that there is enough production to meet domestic demand, but do we have enough supply to meet this extended demand?" he asks. While there are no official estimates of such diversion, Sen admits that much of the wheat allocated to North-East states (where rice is the staple diet) under the public distribution system (PDS) found its way to Nepal or Bangladesh. Wheat from states with poor PDS networks, such as Uttar Pradesh and Bihar, also came to the Kolkata market. "It is difficult to say, but work done by the International Food Policy Research Institute in early 2000-01 suggested that about 2 million tonnes of rice found its way into Bangladesh," says Sen.

## Pricey Problems

One big reason for grain shortfall is the low procurement prices the government offers farmers. Currently, "a Punjab farmer with five acres earns less than a Class-IV government employee," says Swaminathan. According to him, the MSP must be 50 per cent more than the cost of production. Procurement must be at a price that takes care of the difference between prices at the time of sowing and those during harvest. "There must be a way to compensate farmers if government imports foodgrains at a cost higher than the procurement price," he says.

Of course, farmers can still sell their grain to private players who may be willing to pay a better price. They have increasingly been doing so, much to the chagrin of the government, which worries that it will not be able to get enough food for its own storage and the PDS. Yashwant Sinha says the government should not be short-sighted in trying to save money and contain inflation, and should offer more attractive and sensible support prices. This, he says, is the best incentive for farmers to not just sell stock to the government, but to also increase production.

But this isn't happening. Last year on 18 March, the agriculture ministry fixed the MSP for wheat at Rs 850 because international prices (at Chicago Board of Trade) were Rs 744 a quintal. On the face of it, this made sense but, in reality, the move underlined the government's lack of competence. "I told Pawar he was being short-sighted in his approach," says Joshi. "Our procurement starts in April and extends till May. He must actually have looked at the near-month futures." By the time the buying season ended, global prices were way above India's support levels. This year, too, the government has fixed the MSP for wheat at Rs 1,000 a quintal, though the prices of April-May futures on the CBOT are above Rs 1,100 a quintal. "The government will mess it up again," predicts Joshi. "And someone will make a killing when the government decides to import."

**SHRUNK!** **The land under cultivation has dropped by more than a million hectare from 1990-91 to 2005-06**

DINESH KRISHNAN

**INVESTMENT ANGLE**
**Planning Commission's Abhijit Sen admits we have not invested adequately in the past**

With the government also having liberalised the entry of private sector in the foodgrain market, companies such as Cargill, ConAgra, Delhi Flour Mills and Adani bought about 1.5 million tonnes of wheat during the procurement season last year, according to Raj Sud, one of the biggest commission agents in Punjab. Cargill's Hardip Singh says that the government might love to raise the bogey of private sector entry. But "for farmers, it seems to be the only hope for better returns," says Ramesh Chand, ICAR national professor at National Centre for Agricultural Economics and Policy Research.

### To Farm Or Not To Farm

Still, no matter how well India tries to procure and distribute grain, farming remains an untenable and increasingly unattractive option for many. This will soon have disastrous consequences for the country. Farmers from Punjab to Tamil Nadu and Bihar to Karnataka all narrate the same set of debilitating problems confronting them: high cost and low availability of labour, rising fertiliser prices, crippling credit rates, lack of information about seeds, poor irrigation and, of course, low remuneration. Many have migrated to cities to look for jobs, selling off their lands at cut-rate prices to larger farms. Others have sold out to special economic zones (SEZs) or the government looking to build roads and other facilities. This means less and less land goes under the plough, putting further pressure on food production.

The government's latest land-use statistics reveal that the total land under cultivation or net sown area has dropped by more than a million hectare to 141.89 million hectares in 2005-06 from 142.99 million hectares in 1990-91. "This is what I call a long-term crisis," says Shetkari Sanghatan's Joshi. "The land available for farming is being squeezed with the proliferation of and industrialisation and the growing size of cities. It is acute because the land being diverted is largely from agri-rich states such as Punjab and Haryana, the grain belt of India."

Those who are left are forced to improvise and use different strategies. "People are more open to rotation between a major crop and a commercial one or fruit and vegetable nowadays because of the income it generates," says G.K. Vasant Kumar, director of planning and implementation at the Water Resources Department of Karnataka.

About 40 km from Patiala is Sangrur, said to be the suicide belt in Punjab. Saudagar Singh, 50, and a graduate, who used to cultivate only wheat, seems to have learnt crop diversification and risk mitigation. He now grows vegetables in his two hectares. His biggest constraint is access to cheap credit, which he feels can improve if the government streamlines the cooperatives. "Cooperatives with local representatives understand our problems better," he says.

Small farmers find it most difficult to access cheap finance. According to the NSSO's 59th round of surveys, of the total number of indebted farmers, 61 per cent had operational holding below one hectare.

India is smack in the middle of a food and agricultural upheaval. Soaring food prices are proving to be life threatening to hundreds of millions of poor people who cannot afford to pay more. The agriculture is in decay without any significant forays made into technologies such as drip irrigation. Farmers are either killing themselves, or abandoning their occupation altogether and migrating to cities. Vast tracts of farmland are being sold to SEZs and other government projects. Consequently, the country is producing less and less of its own food and is simply unable to feed its rapidly multiplying population.

When Nobel Prize winner Amartya Sen wrote 'Poverty and Famines: An Essay on Entitlement and Deprivation' in 1981, he revealed some startling truths. Famines, he said, occur not necessarily due to food shortages, but also due to social and economic factors such as declining wages, unemployment, rising food prices, and a poor food-distribution system. We would do well to pay heed to his work, since many of those factors characterise India's rural sector today.

*pv.iyer@abp.in*
*bweditor@abp.in*

# Introducing Morrissey pyjamas in Qantas International Business.

Fly non-stop from Mumbai to Sydney, three times a week on Qantas' brand new A330 aircraft and enjoy your complimentary Peter Morrissey pyjamas. For more information simply visit qantas.co.in or call our nearest office.

The Spirit of Australia.
qantas.com

QANTAS

For more details call: Ahmedabad (079) 2644 7235/48, Bangalore (080) 2225 8594, Chennai (044) 2827 8680, Delhi (011) 2332 1344/5/8, Goa (0832) 242 6584, 222 0364, Hyderabad (040) 2329 8498, 6610 2781/2, Jaipur (0141) 238 9038/9, Jallandar (0181) 508 2071/2, Kochi 09846318009, Kolkata (033) 2280 7777, Mumbai (022) 2200 7440, Nagpur (0712) 254 1800, Pune (020) 2613 4295/3801, Vadodara (0265) 235 5542/547

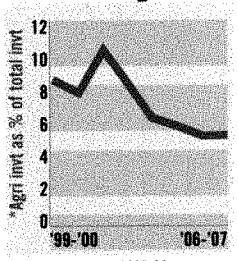
# Slipping out of hand

## Myopic strategies and faulty pricing mar Indian agriculture

**INDIA'S NEGLECT OF THE FARM SECTOR HAS, IN noted agriculture scientist M.S. Swaminathan's words, resulted in an emergency situation today, particularly with global foodgrain stocks at record lows, and prices at historic highs. The country's food security programme, which, so far, has ensured adequate availability of wheat and rice to its burgeoning population, suddenly appears to be threatened because of stagnant production and poor yields of foodgrains. There can be no better way to tell the sorry story of India's farmers — who unlike their counterparts in developed countries, account for more than half the country's population, and also fall in the lowest income strata of the society — than in numbers. Declining public investment, poor pricing and marketing policies, and a short-sighted approach towards food security, have pulled down agricultural growth in India from 5.8 per cent in the 1980s to less than 3 per cent now. The charts explain why India's foodgrains production has not improved and how farmers continue to suffer.**

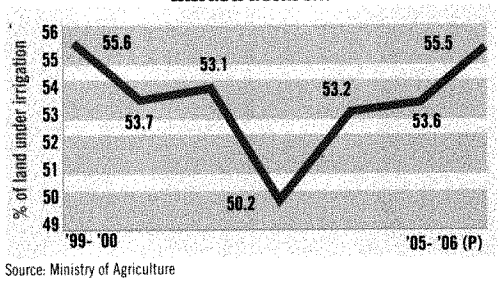
## Low-input, low-output syndrome

Lack of adequate funding...



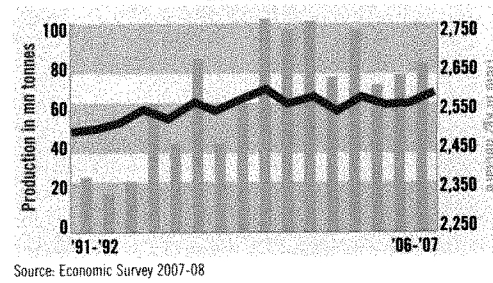

Source: Eco. Survey 2007-08

...Results in poor investment in irrigation infrastructure...



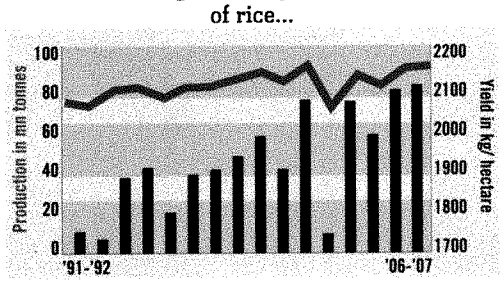

Source: Ministry of Agriculture

...Leading to stagnant production and yield in wheat...



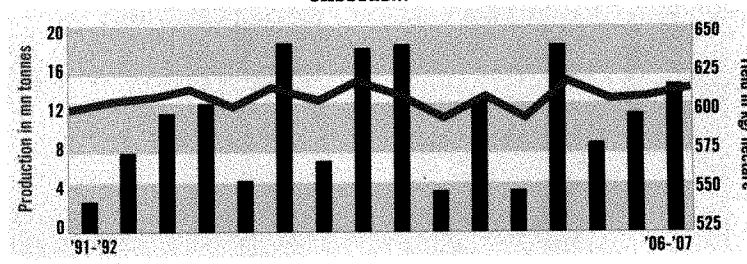

Source: Economic Survey 2007-08

...As also a flat growth in production and yield of rice...



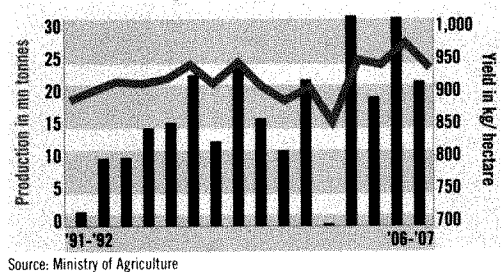

Source: Ministry of Agriculture

...And fluctuating production and yield of oilseeds...



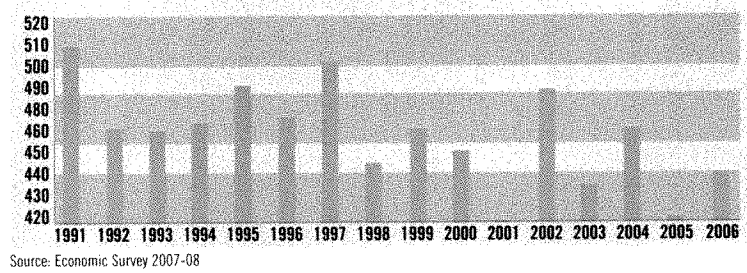

Source: Ministry of Agriculture

...And poor improvement in production and yield of pulses...




Source: Ministry of Agriculture

...Leading to a 14 per cent dip in per capita availability of foodgrains over the last 15 years




Source: Economic Survey 2007-08

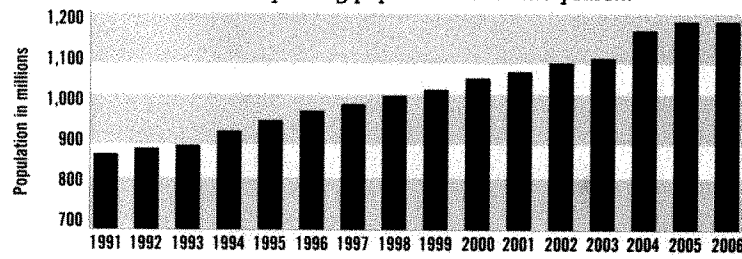
# Subsidies rise, yet farmers pay a price

Years of neglect pulls down farm growth

| Period | | Total eco. | Agri. & allied |
|---|---|---|---|
| Pre-Green Rev. | 1951-52 to 1967-68 | 3.7 | 2.5 |
| Green Rev. period | 1968-69 to 1980-81 | 3.5 | 2.4 |
| Wider technology dissemination period | 1981-82 to 1990-91 | 5.4 | 3.5 |
| Early reforms period | 1991-92 to 1996-97 | 5.7 | 3.7 |
| Ninth and Tenth Plan | 1997-98 to 2006-07 | 6.6 | 2.5 |

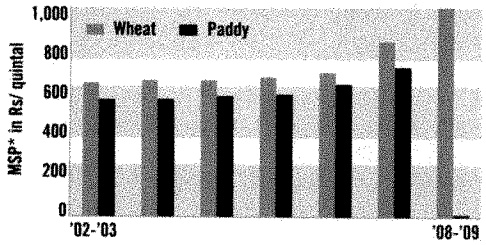
Source: Economic Survey 2007-08 — Fig in per cent

A continuously rising population over the years...



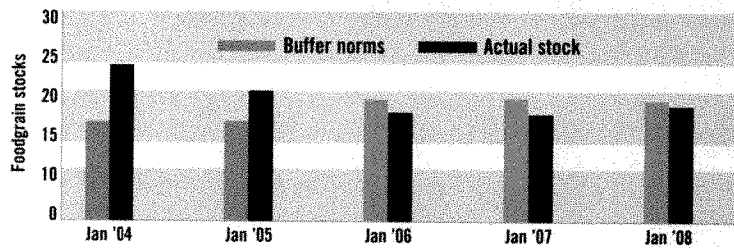

Source: Registrar General of India

... And inadequate remuneration to farmers...



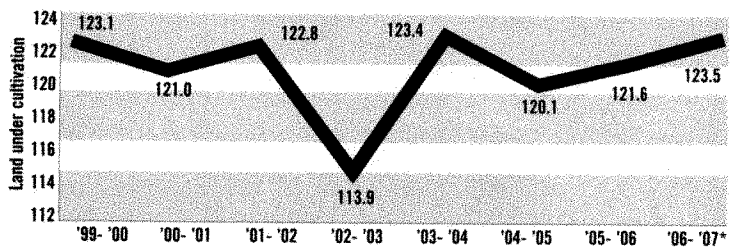

Source: Ministry of Agriculture — *Minimum support price

...Partly results in lower grains at government godowns...




Source: Economic Survey 2007-08 — Figures in million tonnes

...And disincentivises farmers to increase acreage...



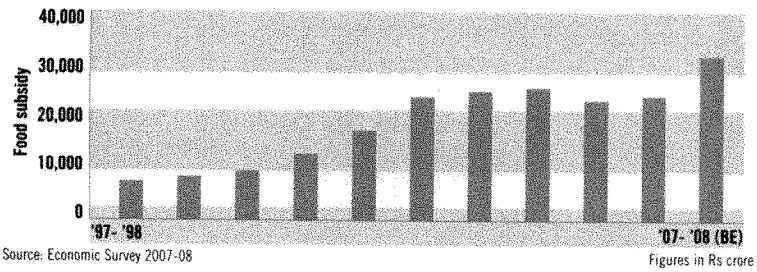

Source: Ministry of Agriculture; *Estimate — Figures in million hectares

...Besides increasing his indebtedness

| State | Estimated no. of farmer households ('00) | % of indebted households |
|---|---|---|
| Andhra Pradesh | 60,339 | 82 |
| Arunachal pradesh | 1,227 | 5.9 |
| Assam | 25,040 | 18.1 |
| Bihar | 70,804 | 33 |
| Chhattisgarh | 27,598 | 40.2 |
| Gujrat | 37,845 | 51.9 |
| Haryana | 19,445 | 53.1 |
| Himachal Pradesh | 9,061 | 33.4 |
| Jammu & Kashmir | 9,432 | 31.8 |
| Jharkhand | 28,238 | 20.9 |
| Karnataka | 40,413 | 61.6 |
| Kerala | 21,946 | 64.4 |
| Madhya Pradesh | 63,206 | 50.8 |
| Maharashtra | 65,817 | 54.8 |
| Manipur | 2,146 | 24.8 |
| Meghalaya | 2,543 | 4.1 |
| Mizoram | 780 | 23.6 |
| Nagaland | 805 | 36.5 |

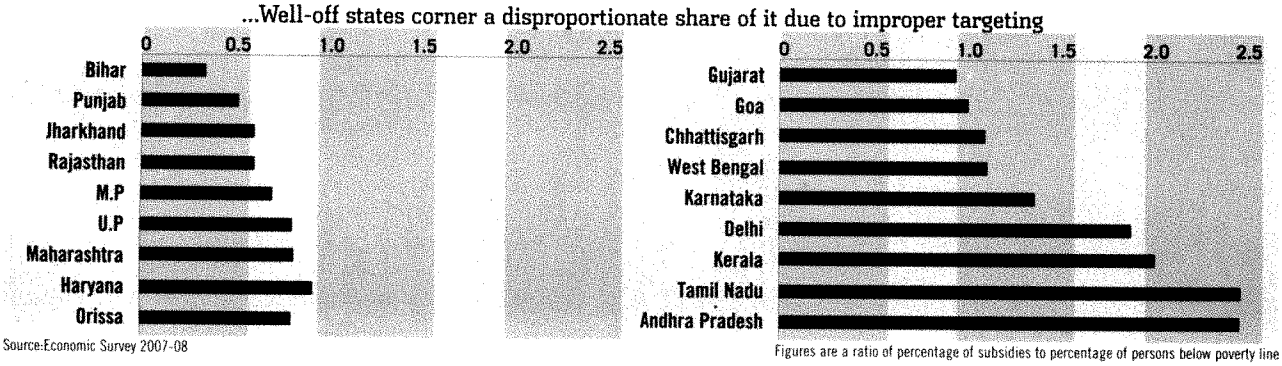
Source: National Sample Survey 59th round (Jan-Dec 2003)

Though food subsidy mounts...




Source: Economic Survey 2007-08 — Figures in Rs crore

...Well-off states corner a disproportionate share of it due to improper targeting



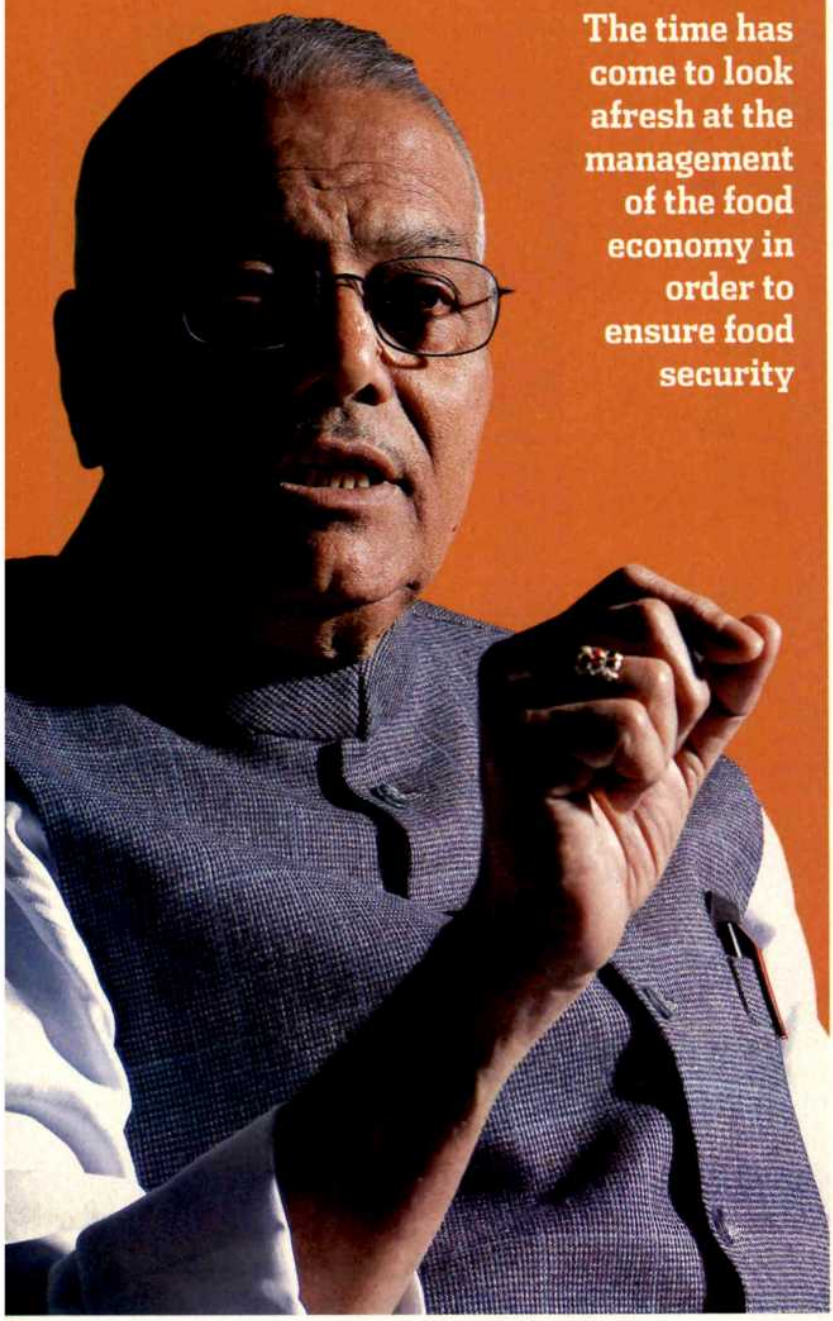

Source:Economic Survey 2007-08

Figures are a ratio of percentage of subsidies to percentage of persons below poverty line

# Food For Thought

**by yashwant sinha**

**The time has come to look afresh at the management of the food economy in order to ensure food security**



AMIT VERMA

FOOD SECURITY, SPECIALLY FOR THE POOR AND vulnerable sections of our population has always been the centrepiece of our policy ever since independence. In 1947, the scars of the Bengal famine in which millions perished, were still fresh. The arrangement of rationing of foodgrain introduced in the era of shortages during the Second World War by the British rulers was still in place. In independent India, therefore, the pillars of our food security policy were (1) emphasis on higher agricultural production and productivity — the green revolution, the white revolution, etc. (2) Import of foodgrain, especially wheat, to supplement domestic supplies, (3) the strengthening of the public distribution system through the existing ration shops, (4) fixing a minimum support price for foodgrain to help farmers avoid distress sales, on the one hand, and procure foodgrain through the PDS, on the other, and (5) the setting up of the Food Corporation of India and state food corporations for procurement, storage and distribution of foodgrain to the needy states and areas from the surplus states and areas. Stringent Essential Commodities Acts were brought into force by the central and state governments to regulate private trade. There were also attempts made to ban private wholesale trade in foodgrain.

This elaborate system of food security put in place during the hey-days of socialism has continued with very few changes till date. While it has provided a semblance of food security, it has also resulted in the creation of powerful vested interests which scuttle any attempt to change the system.

Over the years, our country achieved self-sufficiency in foodgrain production. Gone were the days of ship to mouth existence. However, this self-sufficiency has not always resulted in an effective food security system for the poor.

The growth rate of GDP in agriculture and allied sectors has seen dramatic ups and downs over the years, since this sector is still largely dependent on rains; only about 40 per cent of our total cultivable area is covered by irrigation. Our foodgrain production has also seen major fluctuations. The annual foodgrain production for the last 10 years between 1998-99 and 2007-08 has been as follows: 203.6, 209.8, 196.8, 212.9, 174.2, 213.2, 198.4, 208.6, 217.3 and 219.3 million tonnes.

The fluctuation in production is clear but equally clear is an increasing trend. In the first decade of the 21st century, there have been only two years when foodgrain production has dipped below the 200-million tonne mark. There is no doubt that the quantum of foodgrain production in the country has to go up in

order to feed our teeming millions without having to depend on imports. But I would venture to say that there is no evidence of a complete stagnation in foodgrain production in recent years as is being suggested by certain quarters.

The figures show that the most difficult challenge on this front was faced in 2002-03 when production of foodgrain declined by 39 million tonnes to 174 million tonnes, from 213 MTs in the previous year. 2002-03 witnessed one of the worst droughts in India ever since we started maintaining records of monsoon rains. Does anyone even remember that year as exceptional? The 52-week average wholesale price index rose by only 3.4 per cent in 2002-2003. The Economic Survey 2004 noted that "the comfortable supply situation and remarkable price stability in respect of foodgrain in different parts of the country, despite the poor monsoon of 2002, have demonstrated the relevance of our food security system, notwithstanding the recent debate about its utility in the context of ongoing liberalisation of trade in foodgrain and the comfortable foreign exchange reserves position". In June, 2002 the total stock of foodgrain in our godowns was in excess of 60 million tonnes. We were, therefore, not only able to meet the requirements of our PDS, we were also able to start many new schemes to strengthen it, such as Annapurna, Antyodaya and the food for work schemes. It was what we had saved for a rainy day which helped us when the rains failed. The role of management of the food economy in ensuring food security cannot, therefore, be over emphasised.

There is, of course, a cost attached to food security. This is reflected in the rising burden of food subsidy in the Budget which has gone up from Rs 7,500 crore in 1997-98 to Rs25,425 crore in 2007-08. The state governments also give concessions, the burden of which is borne by the state exchequer. Successive Economic Surveys have warned the government against the rising food subsidy bill. The Economic Survey of 2003-04 said, "The fiscal unsustainability of providing food security through buffer stock operations is becoming increasingly evident. The carrying cost of the buffer stock has been rising substantially in recent years, currently accounting for about 25 per cent of the food subsidy bill. Storage losses are high. The procurement incidental, distribution and administrative cost, together with the carrying cost, form a very high proportion of the actual purchase cost of grain".

An attempt is being made now to link India's food security to global food security and find an escape in global shortages. Food security based on imports is a contradiction in terms. We cannot go back to the PL 480 days. If there is any area where India must be self-reliant, it is the area of foodgrain production. It is true that global food stocks are at a historic low and the price of wheat, corn and rice are at a record high, with an increase of 50 per cent or more in the last six months. These developments, however, will impact us adversely only if we depend on imported foodgrain, which is eminently avoidable. The government's claim that it has authorised state governments to import wheat actually means that it is passing the buck and forcing them to buy wheat in the international market at high prices. The government cannot shirk its responsibilities in this manner. Then, what is the way out?

Starting with the premise that there is no real shortage of foodgrain in India; that we produce enough to feed our people; and that the present shortage is artificial, as indeed are the prevailing high prices, the course of action is clear. First, we must acknowledge that the concept of minimum support price is farmer oriented and the public distribution system is consumer oriented. The two may or may not converge. In such a situation, we must invoke the concept of a procurement price which will be closer to the market reality than the MSP and will also save the government from the criticism that it is paying almost double for imported wheat compared to what it is paying to its own farmers. Two, in view of the high cost of storage, the PDS should be replaced with food stamps to be issued to the beneficiaries to buy food from authorised stores. A strict system of monitoring will have to be put in place to curb malpractices. Three, the buffer stock norms should be revised accordingly, since government would not be required to hold large stocks for distribution through the PDS. The FCI need maintain only such buffer stocks which are necessary to meet emergencies, including controlling runaway prices. Four, the subsidy bill involved in procurement for maintaining the buffer stocks and in paying the difference between the market price and the price at which the beneficiary will get the foodgrain through food stamps should be treated as a public good. The government need not feel apologetic about the food subsidy bill. Fifth, the market price at which the authorised stores will sell foodgrain against food stamps should be determined by an independent body every month.

The time has come to look at the management of the food economy afresh in order to ensure food security for our people.

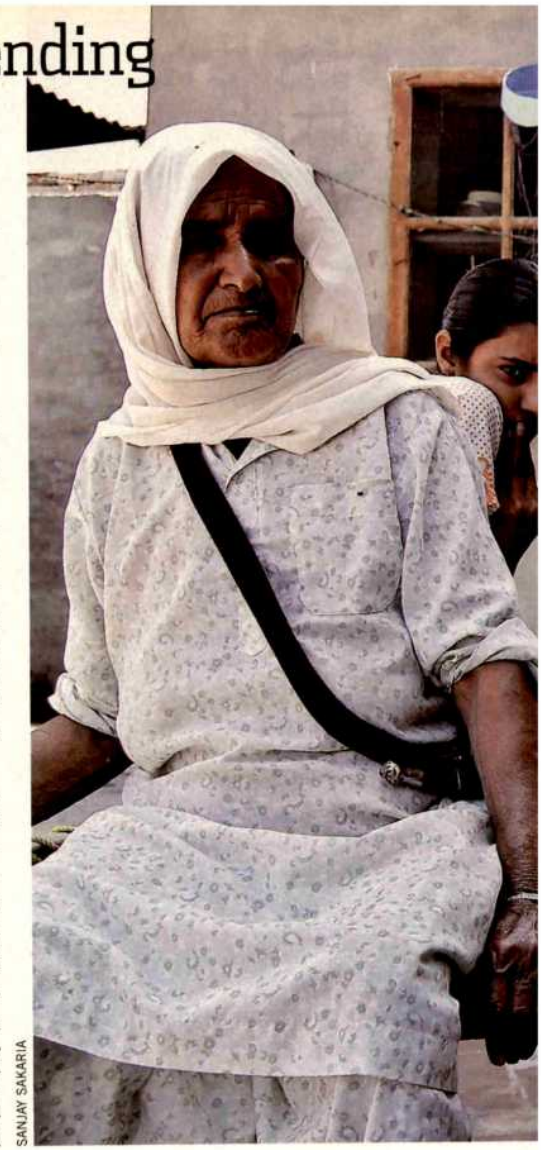
The author is Vice- President, BJP and Lok Sabha member

**The government need not feel apologetic about the food subsidy bill. It should be treated as a public good**

# Life And Debt

**by Raghu Mohan with M. Allirajan, Dhanya Krishnakumar, Jayant Singh and Rajesh Gajra**

**Millions in rural India still live in the grip of money-lenders**



SANJAY SAKARIA

AS A WIT ONCE REMARKED, IT IS TOUGHER TO BORROW Rs 500 from a bank than Rs 500 crore. Finance Minister P. Chidamabaram's Rs 60,000-crore farm loan package is more of a lifeline for banks than it is for farmers. Banks shy from lending to the poor given the high risks and transaction costs, and the lack of information and collateral. And moneylenders step in where institutional creditors fear to tread.

In agri-towns across Karnataka, for instance, display boards of local moneylenders rank next only to jewellery and textile outlets. Co-operatives and banks charge 9 per cent annual interest on farm loans. Yet, despite charging 36 per cent interest per annum, moneylenders thrive, and account for roughly 75 per cent of the loans disbursed. "We are no competition to them," admits a candid official of a state-owned bank in Thirukattupalli, a small village, in Thanjavur district, 400 km south-east of Chennai. If PSU banks have not been able to make a dent, can private banks penetrate rural India? An official from one of the largest private sector banks in Mandya, Karnataka, says local politicians are hand in glove with some of these moneylenders, and thwart attempts by new-age banks from getting a toehold.

Farmers turn to moneylenders as there is less formality, and loans are doled out doubly quick. Repayments are largely prompt, because debt recovery is ruthless. In contrast, repayments to banks are generally tardy and many accounts turn bad. "Farm loan recovery is a major problem," says the bank official in Thirukattupalli.

Unfortunately, farmers have no recourse even if banks — forget moneylenders — charge higher interest rates, because there is no effective legislation for usury in India. The Banking Regulation Act, 1949 made the Usurious Loans Act of 1918 inapplicable to transactions between a bank and a borrower. The 1918 law, enacted by the British, had not only capped the interest rate on loans charged by banks at the official rate, but also allowed courts to reopen cases where farmers were charged excessive interest rates. While states have their own usury laws, they rarely get enforced because farmers don't know about them. "While individual states have their own moneylending Acts, the provisions do not work on the ground. The awareness amongst marginal farmers and landless labourers about such Acts and the recourse they provide is negligible," says Somak Ghosh, president, Corporate Finance and Development Banking, YES Bank.

While the south has a somewhat better credit culture, the fecund badlands of Uttar Pradesh (UP) and Bihar grow debt burdens as much as they do crops. Farmers often have to turn to *artiyas* (local moneylenders). "It is too much of a hassle going to a bank for loans," says Amod Rai, a farmer in Purvi Ismailpur village, around 50 km north of Patna.

In Punjab, farmers say, there are agents who arrange bank loans for them. Despite being educated, Sudhakar Singh, a small farmer who grows wheat and vegetables in his 5-acre land, says, "It is easier to tap cooperatives or moneylenders for a quick loan. If I go through a bank

**ALL IS LOST:** Jal Kaur of Lehragaga village in Sangrur district of Punjab, (centre), both of whose sons, 30 and 25, committed suicide because of heavy debt

agent, I will get only Rs 85,000-90,000 if a Rs 1-lakh loan is sanctioned." So, the moneylender actually turns out to be the lesser of the two evils!

Raj Sud, a commission agent, who was a moneylender earlier, says, in Punjab, farmers are aware and the going rate is not more than 20 per cent. "Typically, moneylenders go by the reputation of the borrower before giving him money," he says. "If he is not comfortable, he will seek to mortgage his land." But, getting possession of the land in case the farmer defaults is very difficult. "There are thousands of such cases pending in the courts," says Sud.

"The organised banking system's loans for small farmers died four years ago due to the World Bank-dictated policy of not allowing banks to re-finance their loans to farmers," says Vandana Shiva, founder of the Navdanya organic food movement, and the Research Foundation for Science, Technology and Ecology.

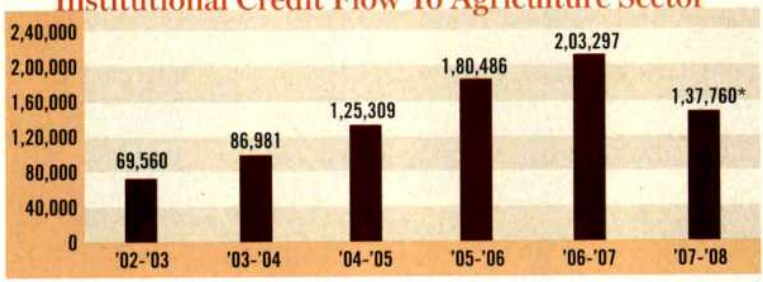
As per the National Sample Survey, 59th Round, 2004-05, 51.4 per cent of farmer households in the country did not access credit either from institutional or non-institutional sources. Further, despite the vast network of bank branches, only 27 per cent of total farm households had any loans from formal sources (a third of which also borrow from informal sources). Among marginal farmers, 80 per cent borrowed nothing from formal sources.

## As We Sow

Agriculture itself is going through a difficult period. The latest RBI Annual Report notes that since the mid-1990s, the sector's growth has been low as well as volatile. Yet, the proportion of population dependent on it remains large at almost 60 per cent.

Dr Rajanna, director at the Department of Agriculture, Karnataka, says continuous planting and fertilisers have reduced soil fertility. "There is also a noticeable deficiency of micronutrients in the soil," he says. "To solve this, farmers need to miss one or two crop cycles and opt for green manuring on their plots. But they

## Institutional Credit Flow To Agriculture Sector




Figures in Rs crore; *Up to November 2007

are not willing to sit idle for even one season."

M.R. Nagaraju, agricultural assistant at the Raitha Samparka Kendra, Mandya Taluk (the farmers association for the Mandya Taluk) points out the average income in his taluk is about Rs 5,000-6,000 per acre. "There was a time when there was only sugarcane here," he says. "Now, we are seeing a shift to rice as it fetches better prices."

D.G. Kailasam, a farmer in the same district, has 4.5 acres of land. He has been farming since 1978. "I've planted paddy in 3 acres and sugarcane in 1.5 acres," he says. "Earlier, for one quintal of paddy, we used to get Rs 400. Now it's about Rs 800, which is very good. I even got Rs 1,100 per quintal last year for paddy."

Procurement of seeds forms a vital component of the farmer's cost. "The government has deliberately discontinued the public seeds supply," says Navdanya's Shiva. "Earlier, the Central Cotton Research Institute used to release 4-20 varieties of domestic cotton seeds which, due to their renewable characteristic and reliability, cost the farmers next to nothing." This, Shiva feels, was intended to allow international seed company Monsanto, through its 16-17 Indian licensee-partners, to monopolise the cotton market and sell expensive, non-renewable Bt cotton seeds to farmers. Having travelled across various regions in the country, Shiva says in one state alone she found 2.8 million acres under Bt cotton because there was no other choice.

In UP, since many farms fall under city limits, tillers are not entitled to agri-subsidies or even Kisan credit cards. Some forms of institutional credit require small amounts to be reimbursed every day, which farmers cannot afford. Administrative corruption makes bank loans far more expensive than they are on paper. Plus, bank branches of farmers get changed abruptly, a fact discovered only after 2-3 visits to their offices.

### Don't Blame The Gods

Banks are presently required to lend at least 18 per cent and 10 per cent of their net credit to agriculture and weaker sections of society, respectively. Outstanding advances granted to the priority sector by public sector banks (PSBs) were at Rs 5,21,180 crore as of end-March 2007.

As a group, they did not achieve the priority sector lending target of 40 per cent till March 1999. The target was first achieved in 2000 and, as a group, they continued to meet the target till 2005-06. Priority-sector lending by state-run banks fell marginally short of the target of 40 per cent by 0.4 per cent as of end-March 2007. Out of 28 state-run banks, only eight could achieve the target of 18 per cent for agriculture, and seven banks achieved the sub-target of 10 per cent for weaker sections of the society.

If state-run banks are not delivering much to farmers despite their prolific reach, the state of primary agriculture co-operatives (PACs) is worse still. The report of the Task Force on Revival of Rural Co-operatives Credit Institutions released in 2005 said the accumulated losses of these entities at end-March 2003 stood at Rs 4,595 crore. It was because many of them procured food grains for the public distribution system and sold fertilisers and consumer goods on behalf of state governments!

Since the year 2000, priority sector lending to agriculture is also being routed through microfinance institutions, which ensures banks get refinance from the National Bank of Agriculture and Rural Development (Nabard) at 6.5 per cent interest per annum. The Self Help Group model has created opportunities for commercial banks to lend to the poor. A bank lends to an SHG that lends to its members, thus overcoming the information asymmetries that the lending institution would normally face.

### We Owe Them

The technology-driven financial inclusion programme RBI initiated in collaboration with banks and several state governments needs to be intensified and expanded urgently. The goal of doubling farm credit in three years, initiated in June 2004, was achieved in two years. Reform of the cooperative sector based on the recommendations of the Vaidyanathan Committee will further increase flow of credit to the agricultural sector on a sustainable basis.

It is difficult to tell precisely how much credit is controlled by moneylenders. In rural India, the contrast between lush-green fields and the tiny, rundown huts in which small and marginal farmers live is stark. They don't have enough to feed their families, not enough clothes for their bodies, and no means with which to educate their children. Their tired, despairing eyes know more about the murky world of moneylenders than statistics are able to show.

*raghu.mohan@abp.in*

**Microsoft**

# ARE YOU READY FOR THE BIG GAME?

**With original Microsoft software, you will be. The standard adopted by businesses the world over.**

India is going places. And to be ahead in the game, your business needs the right standards. Like original Microsoft software. It's the standard for businesses worldwide, no matter how big or small. With the latest technology, it helps your people be more efficient and gives you the confidence to win in the big game.

**Companies** unknowingly using pirated versions can avail of **special offers** on original software. **SMS 'ORIG'** to **5676751.**

ask for original Microsoft® software

FIVE ways to buy original Microsoft software from **askfororiginal.com**

**www.askfororiginal.com**

With a New PC | Buy Online | Dial-a-Software | Locate a Store | Volume License

Call us at these numbers, **Toll Free: 1800-111-100 (MTNL/BSNL), 1800-102-1100 (Airtel) or Toll: 080-4010-3000.** © 2008 Microsoft Corporation. All rights reserved. Microsoft is either registered trademark of Microsoft Corporation in the United States and/or other countries.

McCann/MSFT/61/08

# Distributing Food Better

**by ramesh chand**

THE SYSTEM OF FOODGRAIN PROCUREMENT AND distribution has been repeatedly criticised for its inefficiency, burden on the state exchequer, and distortions in the market. The Public Distribution System (PDS) itself has been attacked for leakage and pilferage, cost of delivery, and diversion of supplies to the open market. Alternatives like food stamps have been suggested to PDS. It is also felt that in the country's new business environment, the private sector can effectively market and distribute food. So, do we need government intervention in foodgrain procurement and distribution in the present set-up?

More than a quarter of India's population is below the poverty line — poorly equipped to buy the required food at open-market prices. On the other hand, if open-market prices correspond to the aggregate purchasing power of the country, then the level of production falls much short of the basic requirement. Thus, it is essential to maintain a dual-price system — one price level that encourages farmers to produce the volume needed to meet the country's requirement and another that makes food affordable for the economically-weaker sections. This is what PDS is meant to do. Some experts argue that direct transfer of income or food coupons are much more efficient options for ensuring the food security of poor people. But a problem with this mechanism is that the income transferred by such means, falling into the hands of the head of the household, may not be used to purchase food. We found strong evidence that an increase in the income of a poor household is not accompanied by an improvement in nutrition because it does not perceive food deficiency as the most important unmet demand. Therefore, the alternatives are unlikely to succeed in addressing the nutrition needs of poor people and we have to rely on the PDS.

Creating more awareness about it would pressure the ruling class to make effective use of the PDS. Similarly, Panchayati Raj institutions and civil society organisations can monitor whether the food meant for the PDS is reaching the people. It also needs to be kept in mind that if the system is put under excessive burden, it can collapse. The poor need to be provided food cheap but not at a throwaway price. If the difference between the PDS and open-market prices gets too large, the system becomes prone to leakages and there is too big a financial burden on the exchequer. PDS prices have not been raised since April 2000, whereas the Minimum Support Price (MSP) and open-market prices for wheat and rice have increased by over 50 per cent. To reduce the incentive for leakages and to keep the PDS burden manageable, PDS prices should be revised every year.

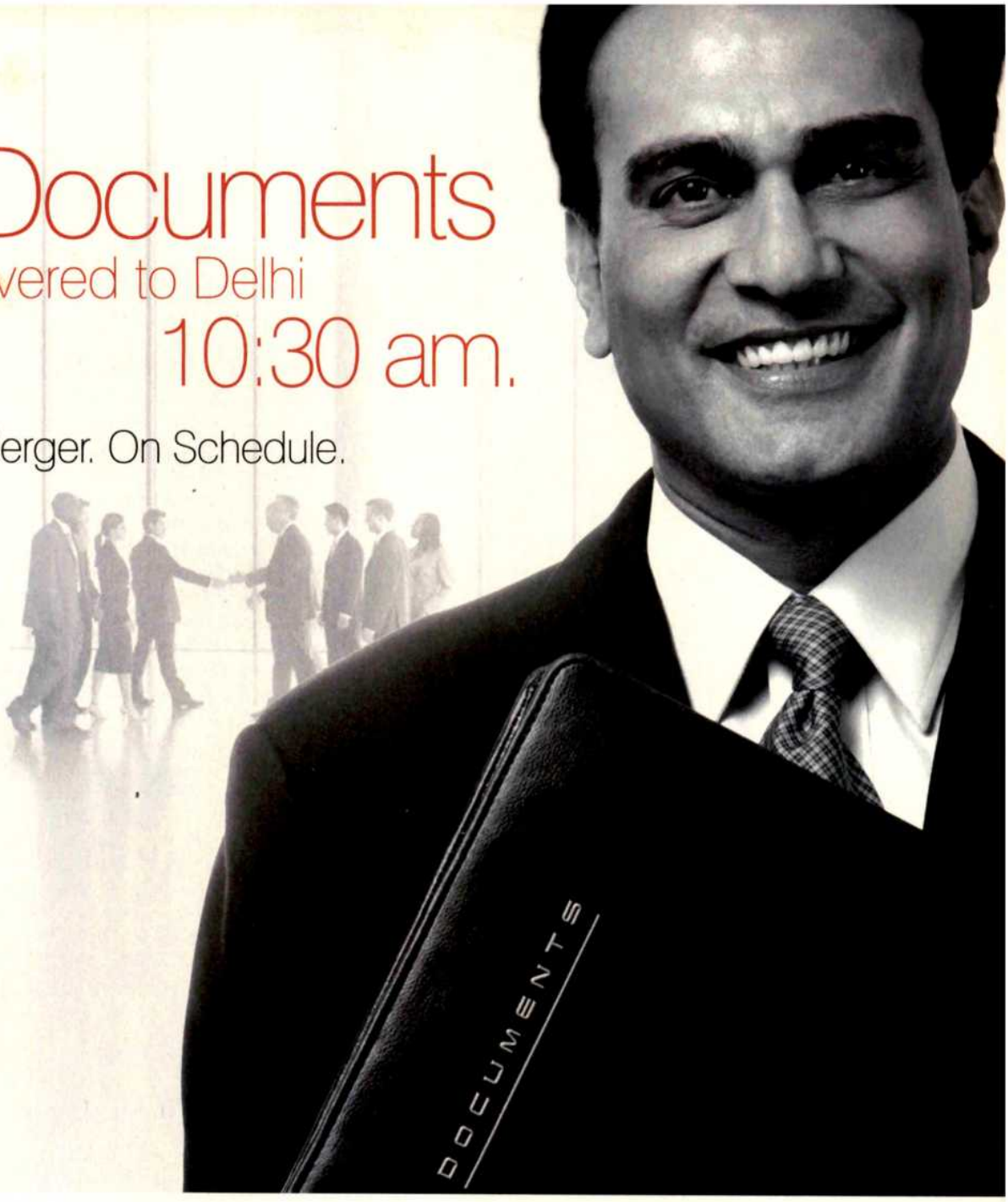
The biggest challenge to the food distribution system is from shortfall in procurement. Private players have expanded their operations in foodgrain markets during the last three years after changes in regulations, which facilitated private participation in agri markets. In such a scenario, it is not possible to procure food at MSP. At the same time, it is not desirable to restrict private trade, as it improves price rospects for producers and increases competition in the supply chain. One way to address the situation is that the government differentiate between the role of the MSP and the procurement price. While the MSP should continue to be announced before the sowing season, the government should also announce the procurement price at the start of the harvest season. This price should be used as a benchmark for foodgrain procurement by official agencies. A cell in the Ministry of Food should monitor prices and make changes as per the market situation.

**Without its present flaws, the PDS can effectively address the country's food-related problems**

The author is ICAR National Professor, National Centre for Agricultural Economics and Policy Research

# Documents
## delivered to Delhi
## 10:30 am.

Merger. On Schedule.




The deal was struck. Cigars were lit. We, at First Flight delivered, right on time.

800 branches. 1800 destinations, serving over 5200 PIN codes. 100 million shipments a year. We deliver everything from documents and parcels to gifts, cargo consignments, even perishables.

And on some occasions, we even deliver success.

First Flight®
First Flight Couriers Ltd.

India. On Schedule.

To be on schedule, contact : Corp. Off. :15/16, National House, Chandivali Jn., Saki Vihar Road, Sakinaka, Andheri (E), Mumbai - 72. Tel.: 2857 6666. Fax : 2857 6544. www.firstflight.net

# 'There are no easy solutions'

— M.S. Swaminathan
Chairman, M.S. Swaminathan Research Foundation

**M.S. SWAMINATHAN, 82, AND FATHER OF INDIA'S Green Revolution, travels extensively even today. Over the next few days, he is scheduled to meet cotton farmers in suicide-prone Vidarbha, where he will advise them to experiment with soya bean cultivation, because India's pristine soya bean has high demand in developed countries. He speaks to *BW's* M. Rajendran and P. Vaidyanathan Iyer on how India should gear up for the war against hunger and food scarcity. Excerpts:**

TRIBHUWAN SHARMA

**Q: Global food prices are at historic highs and stocks at record lows. What is your assessment of the situation?**

**A:** An agriculture emergency is developing not only in India, but globally. African countries are short of food and already hurt. Under the World Food Programme, countries used to get grains earlier. Now they get money. You cannot eat money. I am deliberately using a strong word, but we have a serious problem at hand.

**Q: In India, too, foodgrain production is stagnant and yields are tapering.**

**A:** There are no easy solutions. We need to first look at the soil. Our soil is hungry and thirsty. They have been cultivated for many thousand years. They lack nutrients now. There are 14 different nutrients required by them, but our policies have favoured only nitrogen. We need soil testing laboratories, including mobile ones that can go and give every farmer a soil health card. The only state that has done this is Gujarat. Besides this, we must focus on water, seed variety, bio-diversity and other supporting aspects, such as prices, marketing, post-harvest technology, threshing and harvesting.

**Q: Has farming become unprofitable today?**

**A:** Agriculture is the riskiest profession in the world. Kuttanad district in Kerala has lost many tonnes of crops due to seasonal rains. A Punjab farmer with five acres earns less than a Class-IV government employee. Once the Sixth Pay Commission report is accepted, it will be difficult to bridge the gap.

**Q: Do you think the National Food Security Mission (NFSM) to hike rice, wheat and pulses production will work?**

**A:** While it is not difficult to achieve this, I don't see how it can be implemented in the absence of a convergence between the various inputs required to raise productivity: soil, water, nutrients and seed variety. There is no mention of water in the NFSM because the subject falls under the ministry of water resources. There is no coordination amongst ministries.

**Q: How will climate change impact rice and wheat?**

**A:** Rice is one seed with high adaptation. You can grow it in regions below sea level, as in the case of Kuttanad, and also 200-300 metres above sea level, as in Himachal. Wheat, on the other hand, is a gamble in temperature. With global warming and consequent melting of ice, there could be serious floods in the Indo-Gangetic plains. Hence, the regions must be ready with contingency plans for deep-water or floating rice. Here, rice crops have the ability to rise as floodwater goes higher. Thailand uses it and now some parts of western Uttar Pradesh and West Bengal are trying it.

**Q: We really don't have contingency plans, do we?**

**A:** We must be ready with a drought code, a flood code and a good weather code. I asked the agriculture minister if he has contingency plans. Just as grain reserves are important for food security, seed reserves are important for crop security. I was told that the home ministry is in charge of disaster management. That is only for relief and rehabilitation, but what about farmers' lives beyond floods? A contingency plan does not mean a simple paper plan. To start with, if I lose my main crop, what can I do? What kind of crop can I grow next?

**Q: Are farmers willing to test new concepts such as contract farming?**

**A:** I do not want farmers to part with their land; it is a very sensitive issue. While they continue to hold land, they should cooperate in areas including water management, pest proofing, drying, threshing, harvesting and warehousing. Contract farming is good if it is a win-win situation for both purchaser and cultivator. It can happen only when there is a code of conduct. There is a need for setting up a contract farming council in every state. Sustained contract farming must be based on some ethics and equity.

Self-interest is the foundation for cooperation. That is why during the war everyone cooperates. Now we are waging a war against hunger and food shortage. I joined the agriculture sector in 1944. It has been 64 years, and I have travelled all over the world. Farmers everywhere are willing to cooperate.

**Q: Have we come to such a pass due to declining investment in agriculture?**

**A:** Public investment is a problem area. It has been declining over the last so many years. Contrast this with the Sixth Five-Year Plan, when 12.5 per cent of funds went to irrigation. Farm sector grew a phenomenal 5.9 per cent then.

*m.rajendran@abp.in*
*pviyer@abp.in*

REUTERS

# Beckoning Solutions

**by M. Rajendran and P. Vaidyanathan Iyer**

TIME TO INNOVATE: Floating rice farming helps protect paddy when floods strike

**Solutions to India's agricultural woes are unsexy, but tempting**

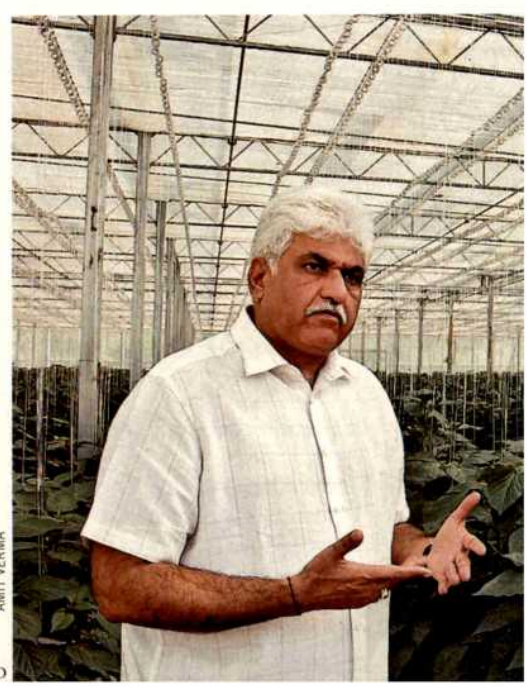
UNLIKE THE FINANCIAL SECTOR, AGRICULTURE does not have quick-fix or sexy solutions. Unlike Wall Street investment banks, which can get a $200-billion booster dose to help recoup losses, farmers cannot aspire to lucrative valuations by private equity firms. Agriculture demands endless patience, meticulous micro-level planning and an integrated approach to the implementation of plodding programmes on soil upgradation, water conservation and pest management. Even when they are done, they take years to yield results.

Scholars like Utsa Patnaik of the Centre for Economic Studies, Jawaharlal Nehru University, closely track the impact of agricultural policies on rural lives in India. Time and again, they have shouted themselves hoarse on the crises looming over India's food security. Sadly, food scarcity will affect the already poor farmer the most. Despite India's phenomenal growth story, he has not seen his income rise. Instead, in a cruel irony, his unrewarded toil feeds a burgeoning urban population (see 'Who Will Feed India' on page 34), we were acquainted with the problems that beset Indian agriculture. Here, we look at a set of feasible solutions that could offer relief.

India's highly-fragmented land holdings can benefit from the scale and efficiency inherent in contract farming, cooperatives and agricultural economic zones (SEZs). For these models to succeed, the underlying mechanisms for good credit, latest technology, quality seeds, right fertilisers, marketing support and remunerative prices are essential.

## When Will Contract Farming Work?

Contract farming with corporate sponsorship has considerable potential but is not easy to implement. Farmers fear alienation from their lands, and the governing authorities have not invested any time and effort in dispelling



AMIT VERMA

their fears. "We need a code of conduct for contract farming to make it successful," says M.S. Swaminathan, founder and chairman of the M.S. Swaminathan Research Foundation in Chennai.

Productivity comes at a cost. It requires huge investments in technology and other inputs that India's small and marginal farmers do not have access to.

"The private sector can help a great deal, provided state governments free up land for sponsors to build scale in farming," says Rakesh Mittal, vice-chairman of Bharti Enterprises, who is in charge of FieldFresh Foods, a joint venture between his company and the Philippines-based Del Monte Foods, a producer and exporter of processed fruits and vegetables in partnership with farmers.

At present, every state has policies that regulate land use. "As a single entity, you cannot have more than 17-25 acres either through ownership, long-term lease, or mortgage," says Mittal. While he insists that a well-meaning corporation never intends to take away farmers' land, the mistrust among the uneducated rural poor is real and evident. For instance, in Punjab, farmers believe that after six cropping cycles, land can be transferred to the entity cultivating crops on it. "But there is no such law," Mittal points out.

Given the unwillingness of farmers to part with their land, there are only a handful of examples of contract farming in India. "Contract farming is a good idea but for it to succeed, the partnership between the purchaser and the cultivator must be a win-win situation," says Swaminathan. "Sustained contract farming must be based on some ethics and equity; perhaps there is a need for setting up a Contract Farming Council in every state."

It is not that India did not have a culture of contract farming in the past. The oldest example is the loose contract that sugar factories have with sugarcane growers. Similarly, agreements exist between cigarette companies and tobacco-leaf growers.

"In fact, the best form of contract farming is between the government and farmers cultivating wheat and paddy," says Swaminathan. "After all, the government fixes the minimum support price for rice and wheat every season, and buys the produce."

What corporations bring to the field is credit and technology, both of which require deep pockets. "Besides technological improvements, productivity is also a function of investment. All over the world, productivity increases have happened through an increase in high-cost inputs," says Gokul Patnaik, chairman of Global AgriSystems, a consulting firm that specialises in agriculture.

India, as is evident from foodgrain yields and stagnant productivity in the last decade-and-a-half, is still trapped in a low-input, low-output warp. "Instead of tractors, if we use laser technology, there is optimum use of pesticides because sprayers turn off and on when they detect foliage," Patnaik points out. But such technology is unaffordable to farmers.

Bharti's FieldFresh Foods has made a modest beginning in contract farming. It works closely with about 80 farmers in Punjab, who grow baby corn over 500 acres in three cropping cycles, especially for exports. "We have an agreement with farmers to purchase their output at a pre-determined price. The quality too is specified in the contract," says Mittal. In its very first year, these farmers earned 30 per cent more than they would have if they had continued cultivating paddy.

### What About Cooperatives?

Almost two in three farmers in India holds one hectare or less, according to the agriculture ministry's 2000-01 land census. Clearly, cooperatives can hold the key to this issue. But there is far too much political interference in cooperative societies. Prime Minister Manmohan Singh seems to understand this well. Way back in 2004, when the UPA came to power, he said, "Undue interference on the part of government will hamper the fundamental initiative for collective endeavour and 'co-operative enterprise'."

In India, dairy and sugar cooperatives have worked very well. "But, I am not sure if we can replicate it for food grains," says Verghese

**BUILDING SCALE:** Firms such as Rakesh Mittal's Bharti Enterprises can help farmers improve yields through technology

BLOOMBERG

**CONTRACT FARMING:** Arrangements like PepsiCo's deal with Punjab Agro need to be encouraged

Kurien, who masterminded the country's White Revolution with the Anand model of cooperative dairy development.

"Agricultural cooperatives in India have largely been associated with low performance," says Tushar Pandey, country head, and chief of strategic (government) initiatives in YES Bank. Agricultural economists feel farmers can scale up production, gain bargaining power and be equal partners in growth. "What can work is cooperative or group farming similar to what exists in Egypt for cotton, where the whole village manages pests and conserves water together," says Swaminathan.

Given the huge numbers of the rural landless, cooperative farming can pull subsistence farming out of its current mess. "But, there is no solution in the absence of political conviction to grow them (cooperatives). This essentially means we need to reduce political interference," says Gopi Ghosh, officer in-charge, Food and Agriculture Organization (FAO).

There is also an urgent need for existing cooperatives to reorient themselves to the changing times. There are only a few cooperatives, such as Amul and the Indian Farmers Fertilizers' Cooperative, which have done well for themselves. Unfortunately, there is a problem in scaling up and replicating these successes in the absence of a sound regulatory framework. The government must establish an appropriate framework and invite the private sector to put together cooperatives along Public Private Partnership (PPP) models. "This will incorporate a social focus while enhancing the economic viability and efficiency of the undertaking," says YES Bank's Pandey.

Nevertheless, Vijay Sardana, managing director of Anand Rathi Commodities International, feels that contract and corporate farming have been successful only where the output is pre-defined and huge investment in technology has been made. "But, both do not make the farmer a stakeholder. Cooperatives may be the ideal model to resolve the problem of fragmented land holding provided their activities are transparent," he says.

## Organic Farming

The rapidly-growing $26 billion (Rs 1.04 lakh crore) global organic foods market, in the US, Europe and Japan in particular, is the focus of a small group of farmers in India. "Organic farming is more affordable," says Suman Sahai, president of the Gene Campaign, research and advocacy organisation. Organic agriculture practice involves preservation of natural bio-diversity and effective management of biological and natural resources to improve farm productivity. "Pest management can be done without chemical fertilizers, pesticides, and genetically-modified inputs," says Vishwanath B. Narayan, vice-president of Kadur Agro, manufacturers of eco-friendly bio-fertilizers.

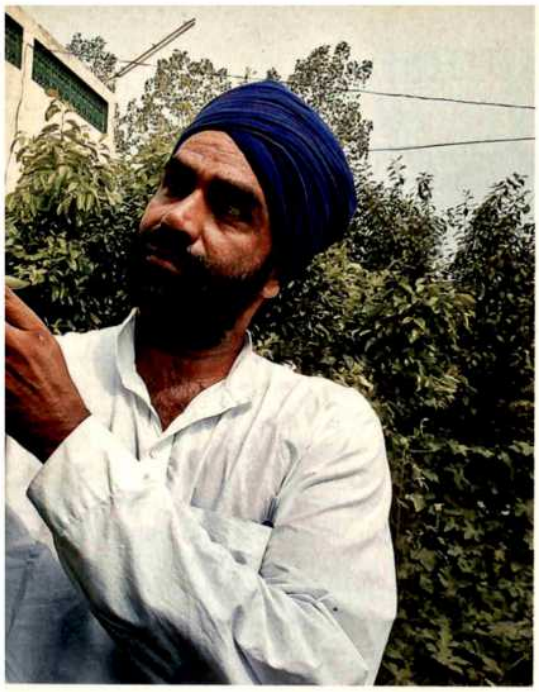
However, exporting organic food is far from easy. There are 61 standards to be met. The third-party certification process to guarantee organic produce involves exhaustive documentation and high costs. The government provided Rs 100 crore to put in place a system of certification for organic products, but this has not helped.

As an alternative, a community-based Participatory Guarantee System (PGS) certification was pioneered in 1998 by Alexander Daniel of the Institute for Integrated Rural Development (IIRD), Aurangabad. Under PGS, farmers guarantee their produce as organic as per norms and standards defined by a local group of

## Fragmented Fields

| Category of holdings | No. of operational holdings ('00-01) | Area operated ('00-01) |
|---|---|---|
| Marginal (less than 1 hec.) | 76,122 (63.0) | 30,088 (18.82) |
| Small (1.0 to 2.0 hec.) | 22,814 (18.9) | 32,260 (20.18) |
| Semi-Medium (2.0 to 4.0 hec.) | 14,087 (11.7) | 38,305 (23.96) |
| Meduim (4.0 to 10.0 hec) | 6,568 (5.4) | 38,125 (23.84) |
| Large (10.0 hec. & above) | 1,230 (1.02) | 21,124 (13.21) |
| All holdings | 1,20,822 (100.0) | 15,99,903 (100.0) |

Source: Agricultural census division, Ministry of agriculture, New Delhi



farmers. The marketing is based on mutual trust and cooperation between consumers and producers. Globally, 26 million hectares are under organic cultivation as opposed to only 2.5 million hectares in India, and this last figure includes certified forest areas, according to the National Centre of Organic Farming.

### Integrated Agro Food Parks?

The absence of an integrated channel from 'farm gate to food plate' has prevented the transfer of desirable agricultural practices, materials, infrastructure and technology to the farmer. It's this key issue which is sought to be addressed by the Integrated Agro Food Park (IAFP) and its Rural Transformation Centres (RTCs). In this new project, the Indian Farmers' Fertilizers Cooperative (IFFCO), Green Ports Corporation, a Hyderabad-based real estate company, Wageningen University of Netherlands and YES Bank jointly plan to set up a Rs 2,500-crore agri-economic zone on 2,700 acres of land in Nellore, in Andhra Pradesh. "Increased productivity is the aim; making farmers stakeholders and addressing the demand of domestic consumers is the target," says Peter Smeets, director of agri-products at Wageningen University.

The project aims to help farmers within the Agro Park, and agriculturists within a 100-km radius. The research institute at the Agro Park will provide seeds to the RTCs, to be set up in every village. The RTCs will offer seeds, credit, micro finance and primary health initiatives, besides acting as collection centres.

The RTC will enable farmers to get better prices through market linkages that provide them with packaging facilities, cold stores, warehouses, food processing units, and direct access to retail distribution centres, domestic markets and export markets.

However, agricultural analysts feel the project will have to survive without any government funding or subsidy in order to be truly successful. "But, this (the IAFP) cannot address food security; it is just a food-processing zone," says Vijay Sardana, director of Achievers Resources Pvt Ltd, a firm offering agri-business knowledge services. He points out that there are more than 50 agri products processing zones set up by the Agricultural and Processed Food Products Export Development Authority (APEDA). Food Parks announced by the UPA government have also not taken off in India.

The land-holding pattern in the new arrangement, which must ensure the next generation does not become a mere employee with no control over the land, will determine the sustainability of this model. "Otherwise, it is purely a business venture," says Sardana.

"As productivity increases, the issue of food security is addressed automatically," says Kalyan Chakravarthy, country head of the food and agriculture division of YES Bank. "This project is not just about food processing but increasing production." Indeed, if it is successful, the IAFP model may bring critical relief to the farmer-suicide afflicted regions.

### The Core Issues

Contract farming and cooperatives may still take off, but will achieve little in terms of higher productivity if India does not address the core issues of biological degradation. As Swaminthan says, Indian soil is now hungry and thirsty, after producing crops over thousands of years. "It needs healthcare just as you and I do."

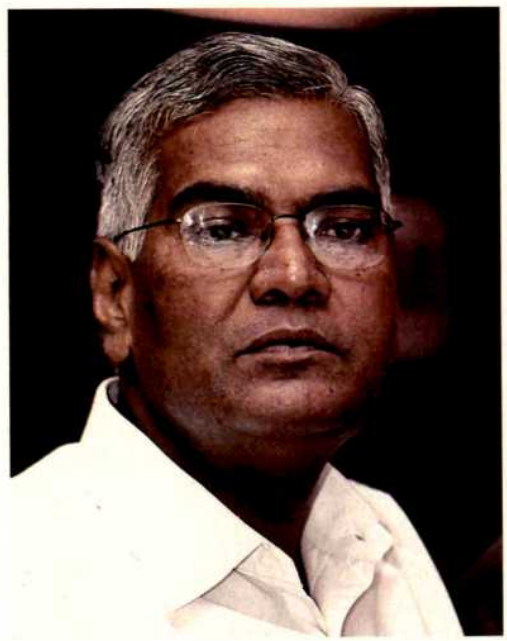
The government has funds to spare under the National Rural Employment Guarantee Scheme (NREGS). "Pasture restoration, soil conservation and watershed development are central to enhancing yields," says Vijay Mahajan, an IITan who now spearheads Basix, a microfinance institution in Andhra Pradesh. "After all, how many roads can you build in rural areas? Landless labour can be effectively used under the NREGS to regenerate productivity of land and water on both common and private rural land."

Such out-of-the-box solutions for making soil rich and fertile again, and increased investment in research and development on seed varietals with private involvement, may yet kick-start a much-needed revival in the nation's hinterland. India needs a Second Green Revolution.

*m.rajendran@abp.in*

# Growing Distress

**by d. raja**



FARMERS IN INDIA ARE IN DISTRESS. AGRICULTURE has increasingly become non-remunerative. A pauperisation of farmers is taking place. During the last few decades, agriculture has remained neglected. Even after the UPA government came to power, the situation has not changed much. The common minimum programme had promised to double the credit and also increase public investment in agriculture. In numerical terms, something has been done, but it is not enough to meet the requirement of the farming sector. The farmers' distress continues. The 11th Five-year Plan has set a target of 4 per cent growth in agriculture. How will you achieve this target in absence of public investment?

The root cause of farmers' distress is the lack of remunerative prices for their produce. Even the minimum support price (MSP) is not adequate. While the cost of inputs, such as fertilisers and pesticide, has gone up, the MSP has not. The ground water table has gone down; farmers now need to use more electricity to draw the water. Due to all this, farmers invariably have to go to moneylenders. But there is no mechanism to monitor the interest moneylenders charge — at more than 30-40 per cent. The Left has been urging the government to immediately increase the MSP, constitute a National Debt Relief Commission, and bring down interest rate on loans to 4 per cent simple interest.

Interestingly, after the UPA government came to power, the Reserve Bank formed a committee to examine the high interest rates charged by moneylenders. It suggested setting up of accredited loan providers. It meant legitimising the existing private moneylenders; those very ones who take loans from banks and offer them at higher interest rates to framers.

Why legitimise the moneylenders in the name of accredited loan providers? The cooperatives and rural banks must be strengthened and made more viable and accessible to farmers. One must remember that it is not the small and medium farmers who deliberately default on loan payment. Look at the big corporates. They are the biggest defaulters. What are non-performing assets? It is only the corporate sector that has been resorting to wilful defaults.

Even the loan waiver announced in the Budget does not address the issue of moneylenders. Further, it will benefit only those who own less than five acres. We need to see how the government plans to differentiate between dry farming and wet farming. It is not easy to value five acres in terms of land. For example, coffee growers want those farming in 25 acres recognised as small growers; the Coffee Board has agreed in principle. Therefore, the waiver does not reflect a long-term strategy which should involve discussion with the state governments, as agriculture is a state subject. Also, the Centre cannot make the excuse that land reforms are a state subject; it can always initiate the process. It also needs to take up some responsibility for subjects that may be in the state domain, such as irrigation and power supply to agriculture.

Those opposing agriculture subsidy in India point, agriculture is in small percentage in the US and can afford subsidies, while India, with 60-70 per cent people involved in agriculture, it is difficult. But in a country like ours, subsidy cannot be avoided since the farmers cannot afford the high cost of fertilisers and food grain. The overall strategy of the government, therfore, should be to make agriculture more remunerative. To achieve this, the government's economic policies and strategy must change. It is not necessary that we focus on preparing youth only for information technology. Agriculture too can be made attractive.

**The Centre needs to take up some responsibility for subjects that may be in the state domain, such as irrigation**

D. Raja is CPI's Secretary General.
(As told to M. Rajendran)

imageRUNNER

Canon

Delighting You Always

# BUSINESS RUNS ON VISION. IMPRESSION RUNS ON COLOUR.

The Canon imageRUNNER colour series now comes to you at hardly any difference from a black and white machine. Its intelligent feature of password enabled access control lets you regulate colour prints, thereby assuring cost control unlike ever before. And what's more, avail many other benefits like colour scanning, scan-to-mail etc. So get a Canon iRC digital copier for your office now!

**The world has gone colour. What are you waiting for?**

**SAVES COST:** Increases business profitability **SAVES TIME:** Increases manpower productivity **MAKES IMPRESSION:** Increases impact of presentations

iRC 3180i

iRC 2880i

iRC 4580i

iRC 5185i

**ALSO AVAILABLE: Model No. iRC3380i, iRC5185, iRC5870i & iRC6870i**

*From MTNL/BSNL landline. #Prefix your local city code when dialing from phone other than MTNL/BSNL Landline

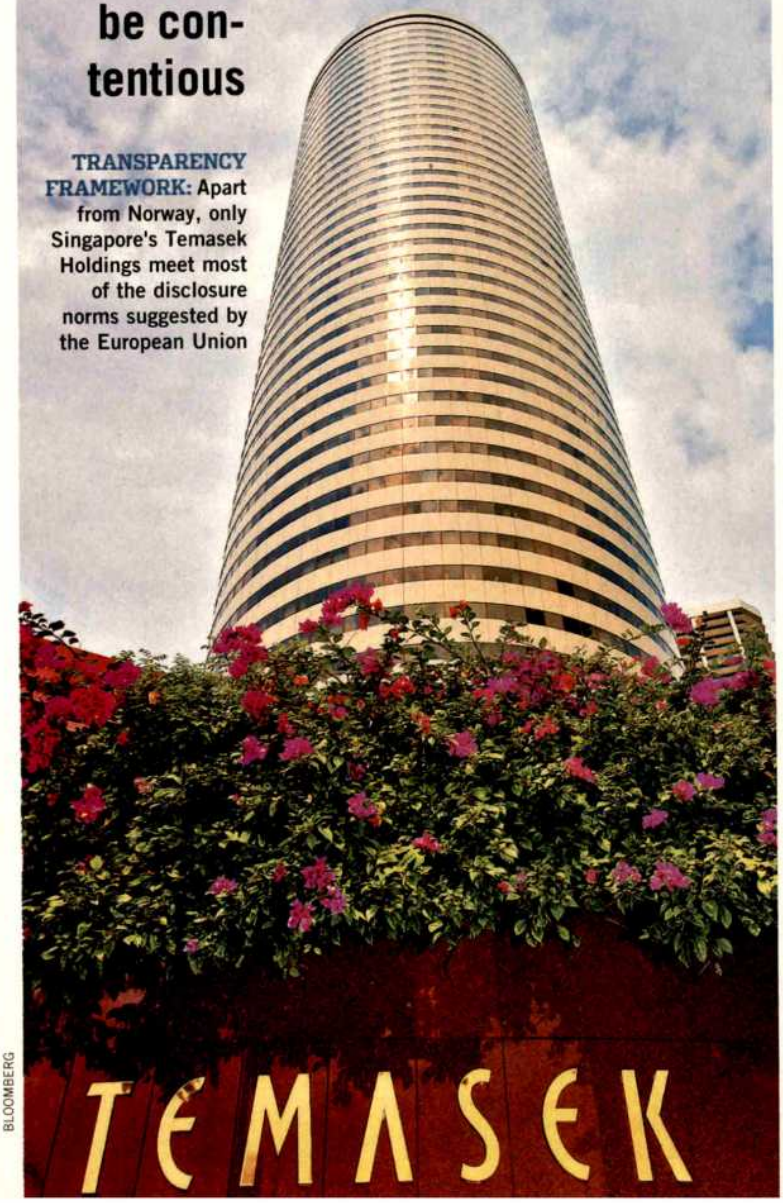
**Business can be simple**

all CANON: 1800 345 3366*/39010101# or visit www.canon.co.in Corporate Office : Canon India Pvt. Ltd., Second Floor, Tower A & B, Cyber Greens, DLF Phase-III, Gurgaon -122 002

# Greed Versus Fear

**by Srikanth Srinivas**

**Reaching agreement over SWFs is likely to be contentious**




BLOOMBERG

**TRANSPARENCY FRAMEWORK:** Apart from Norway, only Singapore's Temasek Holdings meet most of the disclosure norms suggested by the European Union

SPEAKING AT A PANEL DISCUSSION ON SOVEREIGN wealth funds (SWFs) at the World Economic Forum in Davos in late January, Kristin Halvorson, Norway's finance minister said, "It seems you don't like us, but you need our money." She was responding to growing US concerns about SWFs buying up American assets.

But Wall Street seemed to welcome them. Last year, as part of the response to the credit crunch stemming from the subprime mortgage crisis, the SWFs of Abu Dhabi and Singapore bought into Citicorp ($7.5 billion) and Merrill Lynch ($4.4 billion), respectively, to strengthen the capital bases of the financial institutions that had been hit by huge write-offs. But many fret whether governments will use SWFs as a purely financial investment or whether they will over time morph into political influence. "Have we handed over the keys of critical financial institutions to China and oil-rich Middle Eastern countries? Will this come back to bite us at some point in time?" asks a senior banker in Citibank who did not want to be named. Besides, how clear is the dividing line between 'political' and 'commercial' investments?

Earlier this month, Singapore's Government Investment Corporation and the Abu Dhabi Investment Authority agreed with the US on principles for sovereign wealth funds that emphasise transparency. In essence, that their investment decisions would be strictly commercial with no political or strategic acquisition intent. But will the various other SWFs oblige? Given the differences between the various funds — the IMF estimates that there are nearly 30 of them — such a task will prove challenging.

What exactly does transparency for SWFs mean anyway? Does it include the composition of the portfolio and the asset size? Does it refer to the investment practices of these funds? Others have included the governance structure of these investment vehicles as part of the transparency requirements. Some critics have gone a step further, asking for mechanisms of domestic accountability and international oversight.

Politics is a key driver of the debate. Some argue that SWFs are not likely to increase their transparency because the US resisted efforts to require more disclosure from hedge funds back in the 1990s. A McKinsey's report on "the new power brokers" said that the big SWFs already have large investments in a range of hedge funds and private equity firms. So far, they haven't used their financial leverage to push for more hedge fund transparency.

The IMF's proposed work agenda on SWFs released recently outlines a typology of SWFs and identifies five main objectives: stabilisation funds that insulate the budget from commodity

— read oil — price swings, savings funds for future generations, reserve investment corporations established to increase the return on reserves, development funds that fund socio-economic projects, and contingent pension reserve funds that provide for contingent pension liabilities on the government's balance sheet.

Even in this latest attempt by the IMF on creating a framework for international cooperation, the focus has been on the macroeconomic, fiscal and financial aspects of systemic stability and transparency. But the question of assessing 'political motivation' in SWF investment strategies has been left to the Paris-based Organization for Economic Cooperation and Development (OECD). That means the perspective of recipient countries, many of which are in Europe, and host to investments by Russia's SWF. "Best practices and principles could help ease the concerns about SWFs in recipient countries," says Jaime Caruana, director of IMF's monetary and capital markets department.

The European Union suggests disclosure along the following lines: annual disclosure of investment positions and asset allocation, in the exercise of ownership rights, disclosure of leverage and currency composition, size and source of an SWF's resources and disclosure of the SWF's country regulation and oversight governing the SWF.

Few funds currently meet these requirements — Norway does; Singapore's Temasek Holdings meets most. Some disclose regulation and source of funds, but overall this would be a sea-change if signed up to. It is unlikely that most SWFs will go as far as Norway and disclose all their holdings annually. No SWF is likely to announce every deal before making it. But it probably will have to go beyond holding press conferences. Caruana says that the IMF's proposals include the setting up of an international working group of SWFs.

But as the IMF paper also acknowledges, there may be multiple objectives and they could change over time. Russia's and Botswana's stabilisation funds, for example, have evolved into savings funds as reserves have exceeded the amounts necessary for stabilisation. And the amounts of money that SWFs manage are significant too. The IMF estimates that countries hold about $7 trillion in international reserves, and an additional $2-3 trillion in SWF assets. And unlike hedge funds that account for about $1.7 trillion, SWFs are not highly leveraged.

There have been nationalist tendencies expressed in countries that have received SWF capital inflows. For instance, India has been welcoming of SWFs' investment in companies, but Temasek Holdings' initial investment in ICICI Bank met with criticism and some initial opposition. But we can ill afford to discriminate on the basis of type of investor, though the government could, in theory, impose sectoral restrictions in areas which it considers to be of strategic national importance.

The key question is to examine whether there needs to be a specific policy regarding SWFs. One way of looking at the issue could be assessing our own foreign direct investment guidelines to see whether allowing SWF investment is consistent with our policy in that area. For instance, will the proposed guidelines or code of best practice apply to foreign-owned government holding companies that may seek actual control of the companies they invest in?

The debate over SWFs is unlikely to be settled quickly, the code of good practices notwithstanding, and especially when one looks at the scale of investment that continues to boggle the mind. In January this year, central banks and SWFs bought nearly $54 billion in US treasuries and equities. On an annualised basis that is nearly $648 billion. The US Congress is likely to increase its demands for greater scrutiny of these inflows.

The OECD and the IMF are organising a conference on: Sovereign Wealth Funds in the Global Investment Landscape: Building Trust" in London on 31 March 2008. Ostensibly, this will provide an opportunity for representatives of SWFs, private financial institutions and recipient governments to share their views on steps that SWFs and recipient governments can take to build mutual confidence and trust. In the current environment, where financial services firms are showing little trust in each other, that is going to be a very tall order.

---

With inputs by Uttara Chowdhury in New York

*srikanth.srinivas@abp.in*

# Beg, Invite, Confuse

**by rajeev dubey**

**A highly avoidable ambiguity over taxation threatens to spoil what is otherwise a momentous NELP**

NEXT MONTH, INDIA OFFERS ITS LARGEST acreage ever for oil and gas exploration under the New Exploration Licensing Policy VII (NELP VII). However, an ambiguity over taxation threatens to spoil what is otherwise a momentous move. This NELP offers the last window of opportunity for anybody seeking to drill India's deep-water energy blocks, where a majority of the country's oil and gas reserves have been found. This NELP would also close the doors on all the deep-water blocks on India's west coast. Pretty much everything on the east coast has already been awarded. That would leave just shallow water and on-land blocks for future NELP bids.

So, for the first time, the country hopes to attract global oil and gas giants, such as Exxon-Mobil, to put in their bids for the 57 blocks on offer. At stake is $5-7 billion of investment. India's inability to attract such US biggies has been the biggest criticism against the previous six NELP rounds. But, in a case of one arm of the government not knowing what the other is up to, a provision in the Finance Bill, 2008 has taken away seven-year income tax holidays on commercial production of 'petroleum and natural gas'. That is much to the embarrassment of the petroleum ministry, whose Notice Inviting Offers (NIOs) for the bids expressly commits the seven-year income tax holidays from the date of commencement of production at the block. In fact, the Directorate General of Hydrocarbons (DGH) has been consistently emphasising the tax holidays as an attraction for bidding for oil blocks.

The explanatory memorandum of Budget 2008 states that the government "provides for a 100 per cent deduction of profits and gains derived from commercial production or refining of mineral oil. For the purpose of this section, the term 'mineral oil' does not include petroleum and natural gas". The amendment is effective 1 April 2008.

Such ambiguities in policies scare away foreign investors. Announcing a sunset clause on tax holidays on the eve of India's biggest oil exploration move was a highly avoidable seed of doubt the government has managed to sow in their minds. Remember, for years, India has had to beg for foreign participation in NELP rounds. Such a confused state and the delay in clarifying the issue will undoubtedly rock the enthusiasm of likely bidders and add to the infamous reputation of India's chaotic bureaucracy. Most potential bidders believe that in the event of a deadlock, the finance ministry's writ is most likely to prevail. Hence, prospective bidders are frozen in their feet, trying to decipher the extent of the impact. Vikram Mehta, chairman of Shell group of companies in India, says there is a lot of confusion about whether this is prospective or retrospective. Companies that are producing are worried about the impact if it is applied retrospectively. But they're all hoping against hope that it isn't. Another CEO of a potential bidder says he's already begun reworking the financial projection and the bids. They've been forced to, because even whether exclusion of 'petroleum' from tax holidays includes crude oil isn't clear yet, but gas, for sure, has been excluded.

Most companies have interpreted the clause such that only gas has been excluded (an intriguing fact is that in pre-Budget demands, oil companies had requested increasing the tax holiday tenure from seven years to 10 years). That brings us to the logic behind withdrawing tax holidays when India desperately needs oil and gas investments. Typically, industries that require high capex in greenfield projects are given tax holidays to allow them to recoup investments in the early years. The industry believes that gas has been excluded because gas discoveries recover costs faster -- within 2-3 years as against oil discoveries that take up to five years. Besides, gas fields have a recovery factor of as much as 70-80 per cent, while average economically viable recovery from oil fields is barely 30-35 per cent. Rare fields such as ONGC's Ravva and Ankleswar have a recovery factor of 65 per cent, but that's uncommon for crude oil. This gives confidence to the industry that the sunset clause will not apply to crude oil discoveries, even though the finance ministry is still to give its verdict on the issue.

The earlier this air of uncertainty is cleared, the better it is for NELP VII. If the indecision scares away foreign bidders, we could be staring at a disastrous round of bids where domestic bidders would not have enough competition to challenge their bids. And India would have to contend with another round of star-less bids.

*rajeevdubey@abp.in*

ISO : 9001 : 2000 certified

Emirates Towers

# **Major** Landmarks
# **Two** Countries
# **One** Cooling Solution

Convention Centre for EMAAR, Hyderabad

District cooling plant for Burj Dubai & Dubai Mall.

Delhi Metro Rail Corporation

The Delhi Metro Rail Corp., Delhi, the Convention Centre, Hyderabad in India; the UAE's District Cooling plant for Burj Dubai & Dubai Mall and Emirates Tower, Dubai. These are just some of our many satisfied clients.

With more than 30 years of international experience, the client list of ETA's environmental control system division is long and impressive. We offer more than turn-key solutions.

Yes, It has been a long journey of excellence, that has helped us to reach the top.

ETA STAR
BUILT on TRUST

Contact ETA for all your requirements of Air conditioning and Electrical Services, whether they're shopping malls, multiplexes, IT Parks or industrial complexes.

ETA
Leaders in Cooling Solutions

• **ETA ENGINEERING PVT. LTD., AHMEDABAD :** Tel.: +91 79 65417766 **Email : ahmedabad@eta-engg.com** • **BANGALORE ETA HOUSE :** Tel.: +91 80 41802300, Fax : +91 80 41802355 **Email : blore@eta-engg.com** • **BHOPAL :** Tel.: +91 755 2555680 • **COCHIN :** Tel.: +91 484 2311638 , Fax : +91 484 2222680, **Email : cochin@eta-engg.com** • **CHENNAI :** Tel.: +91 44 28297626 / 28297636, Fax : +91 44 28297634, **Email : chennai@eta-engg.com** • **NEW DELHI ETA HOUSE :** Tel.: +91 120 2542506 - 09, Fax : +91 120 2542497, **Email : eta-engg@eta-engg.com** • **HYDERABAD :** Tel.: +91 40 27763529 / 30 / 32, Fax : +91 40 27762641 **Email : hydbad@eta-engg.com** • **KOLKATTA :** Tel.: +91 33 24864329 / 64543304, Fax.: +91 33 24864329, **Email : kolkatta@eta-engg.com** • **MUMBAI :** +91 22 67742700 - 707, Fax : +91 22 67742708 **Email : mumbai@eta-engg.com** • **PONDICHERRY :** Tel.: +91 413 2641774/75, 2640776, Fax : +91 413 2640053, **Email : pondy@eta-engg.com** • **Pune :** +91 20 26138313 / 26051310, **Email : pune@eta-engg.com** • **AMBATTUR FACTORY :** Tel.: +91 44 26253514, Fax : +91 44 26232214 **Email : ambattur@eta-engg.com**

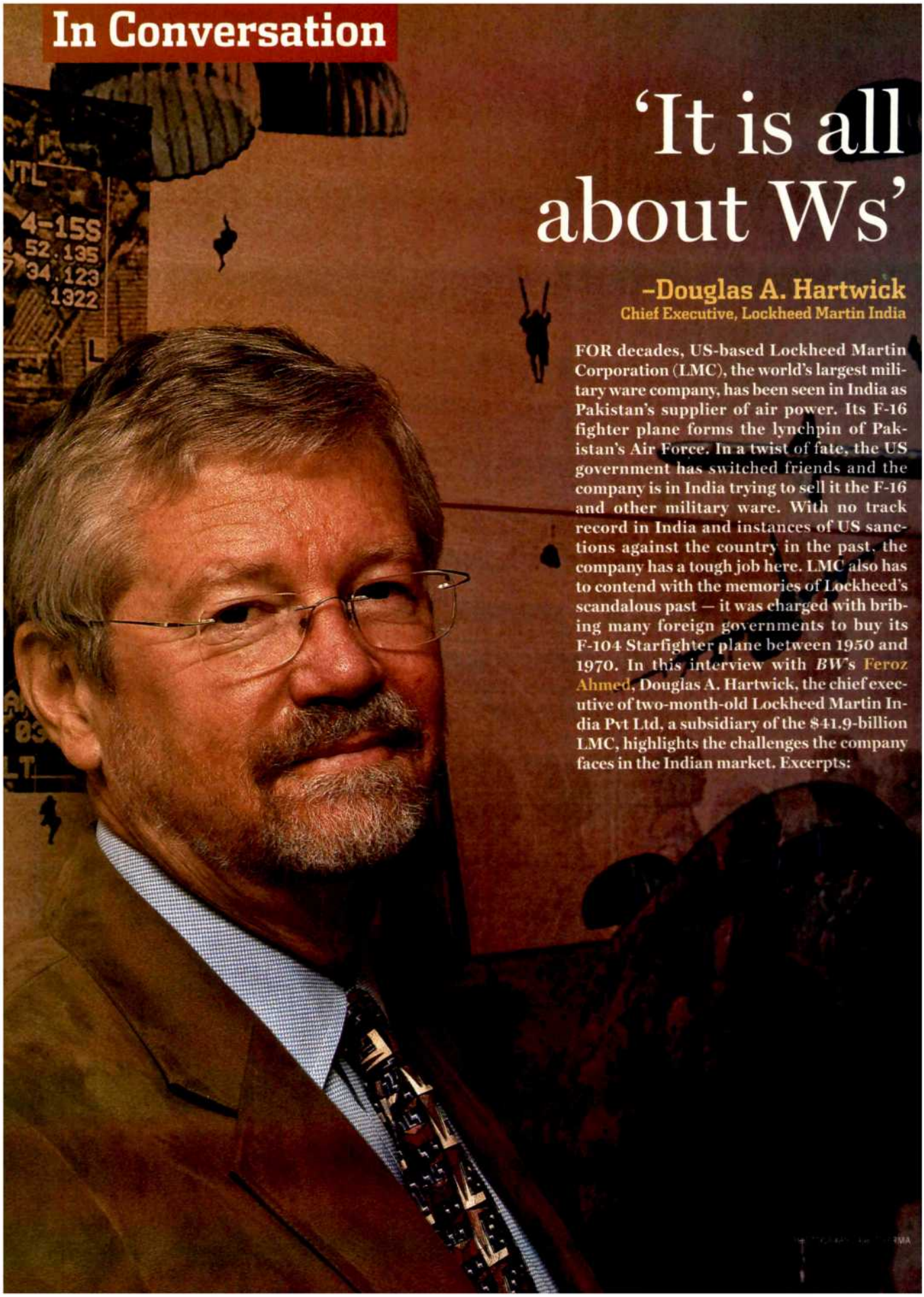
allegro

In Conversation

# 'It is all about Ws'

## –Douglas A. Hartwick

Chief Executive, Lockheed Martin India



**FOR decades, US-based Lockheed Martin Corporation (LMC), the world's largest military ware company, has been seen in India as Pakistan's supplier of air power. Its F-16 fighter plane forms the lynchpin of Pakistan's Air Force. In a twist of fate, the US government has switched friends and the company is in India trying to sell it the F-16 and other military ware. With no track record in India and instances of US sanctions against the country in the past, the company has a tough job here. LMC also has to contend with the memories of Lockheed's scandalous past — it was charged with bribing many foreign governments to buy its F-104 Starfighter plane between 1950 and 1970. In this interview with *BW*'s Feroz Ahmed, Douglas A. Hartwick, the chief executive of two-month-old Lockheed Martin India Pvt Ltd, a subsidiary of the $41.9-billion LMC, highlights the challenges the company faces in the Indian market. Excerpts:**

**Q: What is your mission as the chief of the newly formed Lockheed Martin India?**

**A:** Lockheed Martin has been here for more than two and a half years (though this subsidiary is only two months old). It reflects the warming and deepening of relations between India and the US, in which defence is one component. As India has become more important and more of a global player on a number of issues, it is important that the US adds to India's strength. It has taken the Americans all these years for a variety of reasons but, now that things are back on the table, this relationship is very important. The C130 deal [for six tactical transport aircraft that will be delivered to India beginning 2010] is a very good example of that. It is an aircraft without a peer in the world.All these years India has somehow never chosen to buy it or the US was never cooperative enough. When we deliver them, the aircraft will have better capabilities than anything the Indians have ever had, or even expected to get.

**Q: How will you overcome the handicap of inexperience in India?**

**A:** It is hard. Our track record is with the American forces or its allies' forces. That track record speaks a lot about what we can produce. One of the challenges Lockheed Martin always has internationally is that we are not cheap. So when you come up to the Indian procurement process, where you have to be T1 and also be L1 [one has to meet the required technical specifications and then also has to be the lowest bidder], that is a big challenge for us. That is why we need Indian partners to help reduce some of the costs.

Anyway, we're only starting in this country. Probably in a year, we'll have three or four successes. Everyone focuses on the big ones; this corporation too focuses on the big ones. But every time you hit a W, as Tiger Woods says, it is all about Ws — wins. Once you start winning orders, your customer's familiarity with you and your familiarity with them starts to grow. So, wins start to produce more wins.

We're very pleased with the C130, though it was not a competition [it was a direct deal between the Indian government and the US government with Lockheed Martin being the vendor of equipment]. It gives a strong signal of support between the Indian and the American governments and Lockheed Martin. There is whole range of things that you and I don't know about, but our technicians and specialists keep talking about — orders worth $80 million, $45 million. Even if we don't win some of them right now, we may have demonstrated our capability by competing. And when some things come up later, we will be in a better position for that than the first time around.

**Q: Defence deals generally tend to be controversial...**

**A:** ...Like the Boeing thing in the tanker deal in the US. India doesn't need all that. It has had enough problems over the past 25 years because of that. We know, we will not do that. Some people may say that "Yeah! Yeah! All companies say that". Yes, a lot of companies just say that. But we act on it. Lockheed Martin has enough checks and balances to make sure that propriety is absolutely maintained. I need to take clearance from a lawyer in Washington to invite an Indian joint secretary and his wife to my house. If his wife comes, I have to get special permission because from the US standpoint, that might be construed as not necessary for business. My answer to them is that this is India. You always invite the spouse.

**Q: You competitors point to the unreliability of the sanction happy US...**

**A:** There is an issue there. The US government keeps all defence companies on a very short leash in terms of the cutting-edge technology that we have. If there is no cutting-edge technology involved, government clearances are routine. But here Lockheed Martin and the Indian government have to do a better job of explaining to the US government. It is a process, which is very much underway. Competitors always want to use it against us. It does not help if I say that it is not true. But the Indian government should take more confidence as our government shares much broader interests with India.

**Q: How will you deal with the reliability issue in the MMRCA bid?**

**A:** It will be similar for Boeing's F-18 too in respect of the medium multi-role combat aircraft (MMRCA). We've produced 4,400-plus F-16s around the world, most of those for the US Air Force. We're now in the eighth and ninth version of the F-16. For the MMRCA we've configured F-16 in a manner that it is the closest as possible to the requirement of the Indian forces.

**Q: Is adding the suffix IN to the offered F-16 a way to bond with the Indians?**

**A:** Absolutely. That suffix IN is exactly that. We've configured the aircraft to Indian

## Fast Facts

Established
**1995, after merger of Lockheed Corp. and Martin Marietta Corp.**

CEO
**Robert J. Stevens**

Headquarters
**Bethesda, Maryland, USA**

Revenues
**$41.9 bn**

Order Book
**$76.7 bn**

Key products
**F-16, F-22 Raptor, F-35 Lightening II fighter aircraft; C130 Hercules transport aircraft; Patriot, Pathfinder missiles; air traffic control systems**

specification. It is the most capable F-16 we've ever made. It will contain some sensitive technology. The US government has a view on those technologies and it will be an issue for export control consideration of the US government. But we're not there yet. However, because F-16 has been around for a while, the bulk of that aircraft is not export control sensitive any more.

According to the Indian RFP (request for proposal), it is a buy-and-make proposal. So, we have to say how we're going to make it in India. But we've done it in so many countries before — Israel, Turkey, Korea, Japan. No other aircraft in the competition is comparable on that count. We have done it more times and more places than our competition.

**Q: How is F-16 IN superior to the F-16 Pakistan has?**

**A:** To be honest, I don't really know what the F-16s for Pakistan have. The Indian F-16 is the most sophisticated F-16 that we've ever made. These aircraft have specialised avionics and radars.

**Q: A generation of Indian Air Force has seen F-16 as the enemy ...**

**A:** Yes. That is an irony. But you have got to remember this, and it is not a small point — we make the aircraft. The F-16 deal was between our government and the Pakistan government. We just happened to manufacture the aircraft. It could have been some other aircraft. The same goes for MMRCA. If we were to win it, it will be an Indian government deal with the US government.

**Q: You're talking to L&T about Aegis naval missiles ...**

**A:** We've had very preliminary discussions with the Indian Navy on the Aegis systems and our discussion with L&T is even more preliminary. Until we know whether the Indian Navy is really interested, we are not in a position to go beyond that. The US government wouldn't have us go into all kind of classified information with L&T before India has even considered buying it. However, India has got a big ship-building plan right now. We're talking to L&T and the Koreans about shipbuilding for the Indian Navy. It is extremely hard to take an existing ship and fit Aegis into that. What you really do is that you design the ship around the Aegis missile system. What is important is that as India embarks on its frigate and destroyer building programme, it could order Aegis missile systems for those. It has great radar capability. The Indian Navy knows about the radar, but since they never had it before, they haven't really been able to appreciate the value of having it. All that is part of the education that will take years.

**Q: Are you also trying to sell your MH-60 helicopters to India?**

**A:** Lockheed Martin doesn't make any helicopters. We take Sikorsky helicopters, strip them down, and we fit them with powerful radars. These then go to the US Navy as a highly capable anti-submarine and surface warfare machine. We're having preliminary conversation with the Indian Navy about that capability. Again that takes time. It is not cheap. But it is the most capable. That way you get the most value for your money.

**Q: Which deals are your priorities in India at the moment?**

**A:** We're looking at the MMRCA. We have a proposal and we're ready to deliver. We're in conversation with the Indian Navy for some of its needs. For the Indian Army, we're offering tactical communication systems. Outside the defence area, we're having increasing conversations with Indian air traffic controllers for air traffic management systems — we operate 90 per cent of the air traffic control systems in the US. We've had preliminary conversations about deep sea submersibles, not with the Indian Navy but with the Oceanographic Institute in Chennai.

We've had a lot of discussion with BEL (Bharat Electronics Ltd) about our RFID [radio frequency identification] and marketing it in India. It can not only tell you where something is but also whether it has been tampered with. It could be used by Indian Railways too. If there is a great prospect for that, we could produce some of that in India. That will be both civilian and military application.

**Q: Will you share development technology or just replication methods with India?**

**A:** A bit of both. The truth is, whatever the Russians or the Israelis talk, if they had cutting edge technology, they'd be very careful with sharing it. It costs a lot to develop such technology. Also, the US is concerned about putting it in the wrong hands or it slipping from the right hands into the wrong hands. It is going to be the US government's judgement how much they are prepared to share with India.

ELGI

Think Long Run

# AIR POWER that acts infallibly in both.

A TOOTH CAVITY OF 4 mm DEPTH

AN OPEN CAST MINE OF 400 m DEPTH

## ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

Textiles · Power · Cement · Construction & Mining · Pharmaceuticals · Food & Beverages · Leather · Automotive · Engineering · Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

## ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

**Branch Offices:** Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

**Overseas Offices:** Bangladesh · China · Indonesia · Kenya · Malaysia · Middle East · South Africa · Sri Lanka · Thailand

**Toll Free Customer Care Number 1800 - 425 - 3544**

iB&W/ELGI/08/07

# Foxed By Forex

**by Puja Mehra**

**Can companies blame banks for their recklessness?**

IN THE WAKE OF GLOBAL MARKETS COLLAPSING, A bunch of Indian companies active in forex derivatives trading have suffered losses. They are now blaming their advisors — the banks — for their misadventure. The first point in need of clarity in the din being raised in the forex derivatives mishap —which is threatening to spiral into a messy legal wrangle between the companies who used these contracts and the banks that structured the fancy products — is that the imbroglio may not be as large as is being made out. The second is that, even though the companies hit by bets gone wrong are blaming the banks who structured the deals for them and the Reserve Bank of India (RBI), the blow would have been smaller still had they opted for caution over recklessness. "We did not suffer any losses but some of our vendors did," says Ravi Sud, chief financial officer (CFO) of Hero Honda. "This is not a regulatory gap-related issue. Small companies should take care to put in place internal systems for risk assessment and monitoring of their exposure by the board and top management." Agrees the CFO of a top software company trading in forex for years: "Companies must fix internal controls, risk assessment mechanisms and maximum trading limits before jumping into trades."

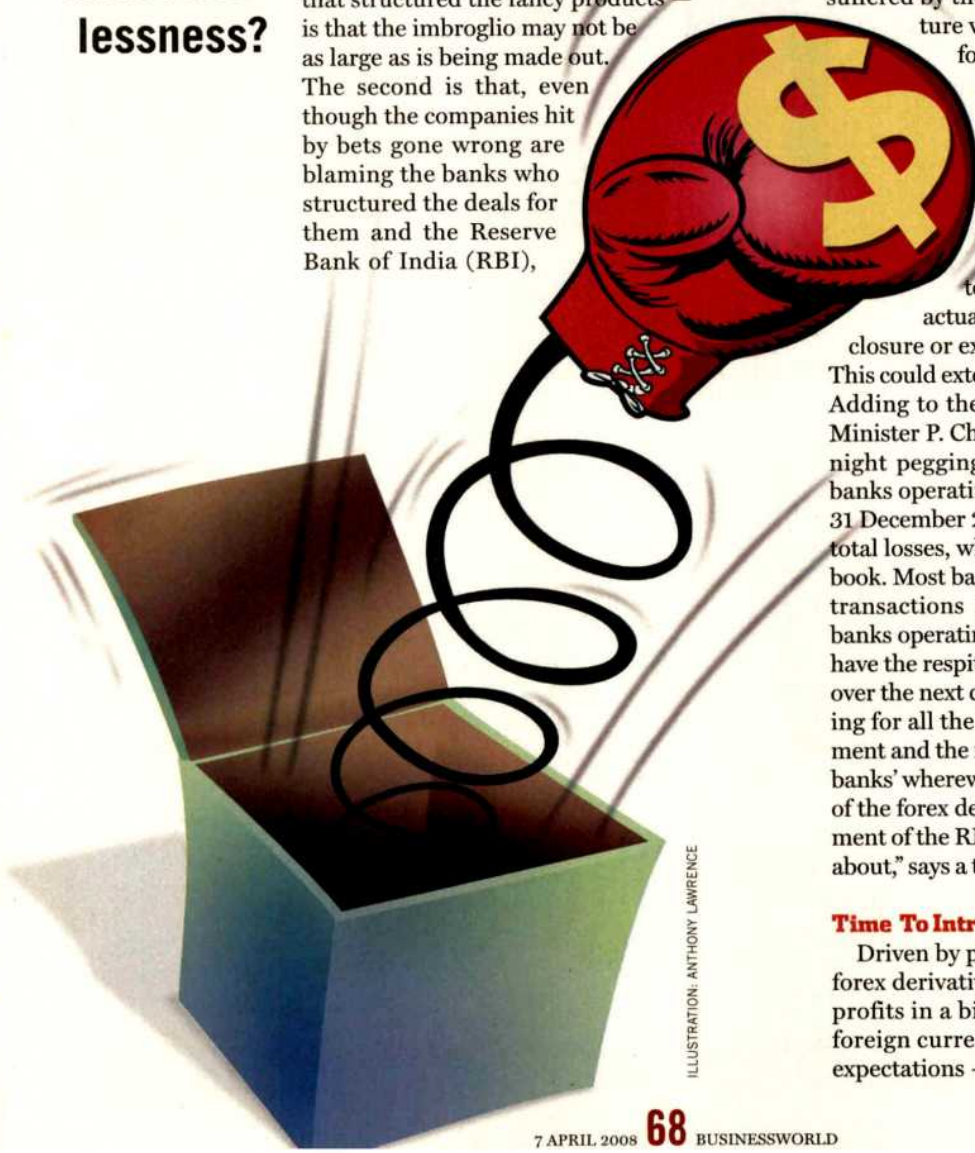


ILLUSTRATION: ANTHONY LAWRENCE

A variety of figures on the size and scale of the fiasco are adding confusion to the pain caused by the currency bets plunged into losses by unexpected price movements of foreign currencies such as the dollar, Swiss franc and yen. For instance, the markets have misconstrued an estimate for the mark-to-market losses of $3 billion-5 billion to be an estimate of the losses suffered by the companies on their misadventure with forex derivatives and, therefore, an approximation of the client defaults on the margin payments the banks need to recover. In reality, an estimate for the mark-to-market position merely shows the notional value of the outstanding bets when marked to the market prices. The losses to be borne on the books will be the actual losses accrued at the time of the closure or expiry of the derivatives contracts. This could extend over the next several quarters. Adding to the overall nervousness is Finance Minister P. Chidambaram's statement last fortnight pegging the exposure to derivatives of banks operating in India at $3.16 trillion as on 31 December 2007. This too is being misread as total losses, whereas all it reflects is the trading book. Most banks have stated that the customer transactions are much less. Companies and banks operating in India, unlike elsewhere, also have the respite of carrying forward these losses over the next couple of years instead of accounting for all the losses immediately. The government and the regulators are confident about the banks' wherewithal to tide over the implications of the forex derivatives mess. "So far, the assessment of the RBI is that there is nothing to worry about," says a top source in the central bank.

### Time To Introspect

Driven by profit maximisation — gains from forex derivative trading had boosted corporate profits in a big way over the past few years as foreign currencies moved in line with market expectations — some companies eschewed dis-

cipline and over-exposed themselves. Now, a huge blame game is underway with some companies alleging banks mis-sold them derivatives and lured them into speculative trading.

Paper and stationery manufacturer Sundaram Multipaper informed the BSE in December that it has authorised its management to sue ICICI Bank for its losses on forex derivative products. The company has refused to pay up the margin required to cover up its losses. The Madras High Court has awarded a status quo stay order to Rajshree Sugars and Chemicals in its case. Rajshree alleged that Axis Bank sold it exotic derivatives for speculative rather than hedging purposes.

The point, however, is that the losses from the derivatives in some cases have turned out to be nearly as much as the company's profit for the whole year. There are instances of severe over-hedging and over-leveraging. For instance, an over Rs 100-crore hit from unauthorised forex derivative trades undertaken by an official of software company Hexaware resulted in a Rs 81-crore loss for the quarter ended December 2007. The company's net profit for FY07 was Rs 110.07 crore. A Hexaware spokesperson confirmed that it has fired the official.

"It is companies' birthright to speculate over foreign exchange and then cry over the ensuing losses," says Ajay Shah, a derivatives expert and senior fellow at Delhi-based government think-tank National Institute of Public Finance and Policy (NIPFP). "But it is not the job of the government or the regulator to help companies avoid mistakes. If they did not have the discipline to mark-to-market their positions daily to assess their losses, they deserve to burn." The fact remains that the bulk of companies, pharma major Ranbaxy among them, have made huge trading gains on forex derivatives.

What also needs questioning is the role played by the banks in explaining to the companies the impact heavy derivatives trading can have on corporate balance sheets. Why were companies such as Hexaware sold such huge exposures? In the absence of adequate regulations on forex derivatives from the regulator, RBI, most banks have flimsy or no codes of conduct. Some foreign banks, such as Standard Chartered, assess the risk-taking ability of companies to determine the level of exposure they can offer for forex derivatives trading. The bank's derivatives department is barred from dealing forex derivatives to a company if the bank's credit department finds the company too unsavvy to handle these exotic instruments. This, however, is an exception rather than the rule. Most banks are blaming the imbroglio on the corporate sector's lack of understanding of sophisticated financial products. Yes Bank's Managing Director and CEO Rana Kapoor said in a press statement issued last fortnight, "Corporates have been making profits through hedging in highly volatile foreign currencies and started making complaints when they met losses.... They should have understood the product completely before hedging."

## MYTHS VS REALITY

| Myths | Reality |
|---|---|
| ■ The forex derivatives menace is wide-spread and all sweeping | ■ Barring a handful of companies, most companies made profits on their forex derivatives trading positions |
| ■ The losses have made companies turn against all forex derivatives | ■ Companies are only contesting the use of forex derivatives for speculating trading. They had authorized the use of these contracts for hedging currency and interest rate risks |
| ■ The losses to the banks and the companies run into billions of dollars | ■ The actual losses may turn out to be lower, and do not have to be reported on an immediate basis |
| ■ RBI's Nov 2007 circular bars trading in non-rupee denominated forex derivatives products | ■ The RBI confirms as long as the broad guidelines are adhered to, non-rupee forex derivatives can be traded in too. |

A host of companies are reportedly contemplating whether to implicate the regulator too in the legal battles, though the official spokesperson of the RBI confirms it has not received any legal notice so far. An RBI circular issued in November 2007 has become the bone of contention. It mandated rupee derivatives, but is being interpreted as barring derivatives based on underlyings other than the rupee. The RBI spokesperson, however, confirms that non-rupee forex derivatives deals struck by banks would be above board as long as they conform to the trading guidelines prescribed in the circular.

Few will disagree that one remedy is for the RBI to transform the forex derivatives market from an over-the-counter one to a transparent, exchange-traded and well-regulated one — something that the Ministry of Finance had asked it to prepare for many months ago. The regulator, however, has dithered on the proposal and has indicated that despite the current controversy, it is unlikely to finalise anything anytime soon. Says NIPFP's Shah, "An exchange-traded market would have helped to the extent that it would have provided the daily mark-to-market positions, and the resulting daily losses to the companies." Seems even superior regulation won't make internal risk assessment and surveillance indespensible.

*puja.mehra@abp.in*

# What Govt Should Do

**by paul samuelson**

"IT CAN'T HAPPEN HERE." THOSE ARE FAMOUS last words uttered by people who build on tropical coasts just before a hurricane, tidal wave, earthquake or volcano ravages their happy homes.

Economics is no exception. Back in 1929, just before Wall Street stocks took their long-time dive, President Herbert Hoover's blue ribbon commission declared, in effect: The future is serene. Business cycles are only the historic growing pains of capitalism. But now we are in a New Era.

There followed, however, a whole decade of global miseries: unemployment on a massive scale; bank failures in the thousands; home mortgage foreclosures and bankruptcies in the millions.

Ancient history? And therefore irrelevant history? Not quite.

Most of my readers were alive during Japan's so-called Lost Decade. That qualifies as a long, long slump. (Actually, Japan's economic malaise has extended well beyond the 1990s. Up to the present day, she has not regained the positive interest-rate levels that prevail globally; and where her peers need to fight to fend off undue inflation, Japan still struggles to end her post-1990 deflation.)

**Governments everywhere will have to move in to help heal the new wounds in our financial systems**

But only history specialists know that in the 1920s, following the post-World War I global recession, Japan alone had already suffered an earlier lost decade. This stress period not only challenged its western-style democracy, in a subtle sense it can be argued that it was the seed that generated the 1941 Pearl Harbor escapade. Moral: Lost decades breed political unrest and create dangerous geopolitical neighbors.

The reason I am revisiting the above banalities is to help us understand and resolve the upcoming fundamental debates both in America and abroad. Willy-nilly governments everywhere — and that includes central banks, fiscal treasuries and SEC-type regulators of financial markets — will inescapably have to move in to help heal the grave new wounds in our financial systems.

Important query: Should the state's role be confined to (1) the central banks' setting of official short-term interest rates on the shortest and (safest) government bonds; and (2) limited short-time programmes of budget deficit spending?

In ordinary, moderate ups and downs of economic cycles, those conventional weapons do their job pretty well. But they were not enough in turn-of-the-century Japan. Nor were they enough when they were reluctantly tried in the 1929-1939 Great Depression.

The world currently is living through hybrid stagflation — weak jobs and profits coinciding with accelerating price-level inflation. Because of the earlier 1970s supply shocks from oil and harvests, stagflation is today pretty well understood.

There are no perfect rules for the needed government interventions to follow. Like an imperfect dictionary that is better than no dictionary at all, I dare to nominate some prudent considerations:

1. The foolish home buyers who signed up for homes they could never afford must not be compensated for their foolishness.

2. The rashest lenders — whether they are sleazy mortgage brokers or Bear Stearns Investment Bank or Merrill Lynch — should not and cannot be made whole. Only their best collaterals, which may be temporarily (!) illiquid because of the financial panic, should be taken over by governments. Warren Buffett, canny multi-multibillionaire, provided one stratagem when he offered to take over the good assets of rash insurers of bonds and loans. They refused such an offer because they had hoped to use their good stuff to be a skeleton key to open the door to a government bailout.

3. Most of the proposals so far suggested in America and in Europe only provide short-term relief for borrowers and lenders. That only puts off the evil day, because it could be a long-term help only under the dubious hope that housing prices will soon be rising once again.

This ignores fundamental truth. Because housing and commercial building are themselves so long-lived, one must accept that for a considerable number of years real-estate markets may well still be falling markets.

Luckily, by November 2008 the elections will replace the Bush-time legislators and cabinet heads with a less incompetent new set. Realism prevents one from being confident that a change of the party in power will easily and quickly do what will be needed to restore some stability for financial markets here and abroad. But better, though less than the best, still beats recent bungling.

(C) 2007 Tribune Media Services

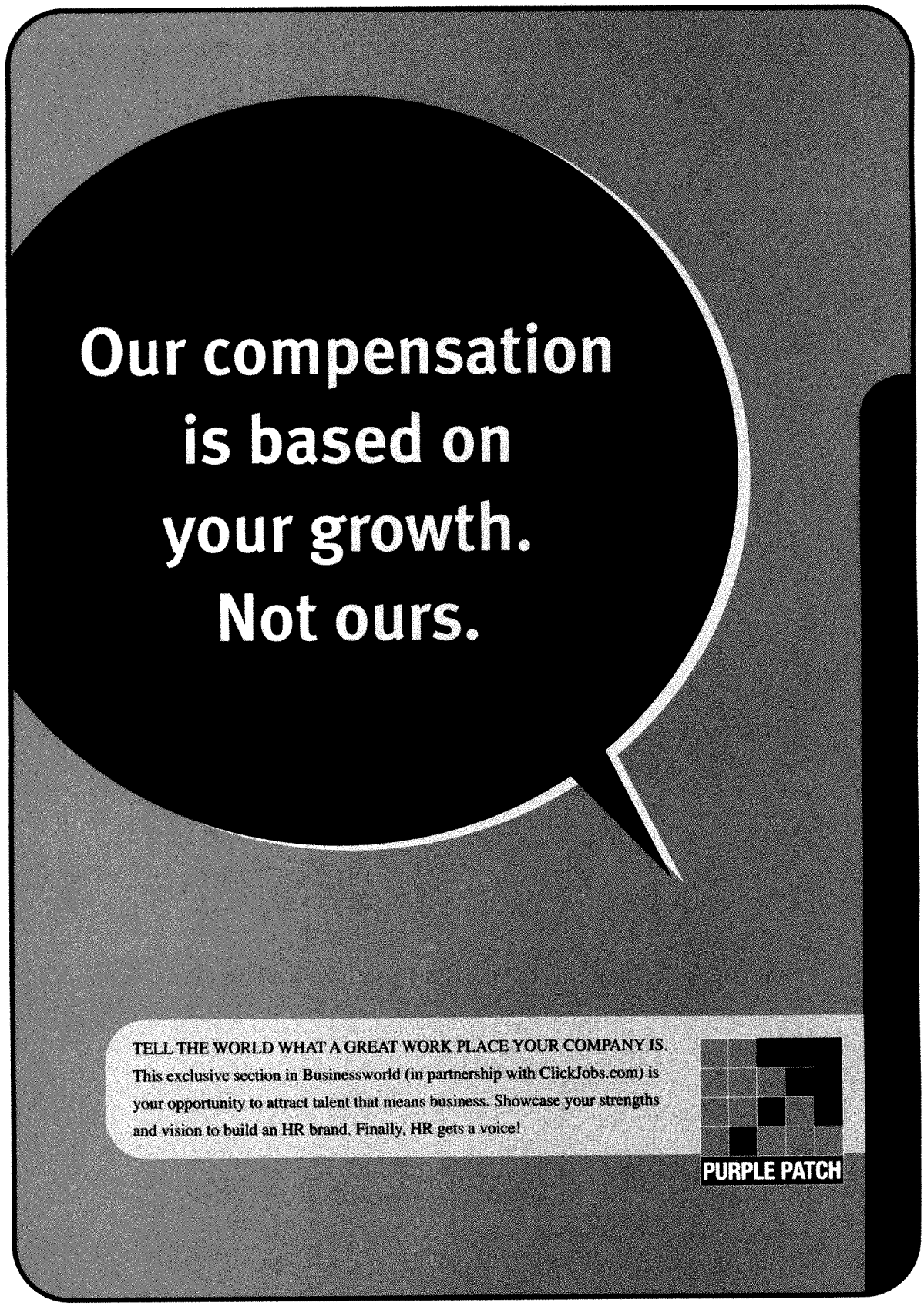
# PURPLE PATCH


**SHAPING THE FUTURE** 73
The New Organisation

**ALTERNATE VIEW** 75
Is your organisation ready for a 360°?

**MY SAY** 74
How important is workplace etiquette and why?


A
**Businessworld**
INITIATIVE IN PARTNERSHIP WITH
CLICKJOBS.com
India's Premium Job Portal




For research and value added services: Anirban Roy (anirban.jyotiroy@abp.in, +91 98730 77591). For advertising enquiries: North: Meenakshi Jha (meenakshi.jha@abp.in, +91 98990 43937) East: Somobanti Pal (somobanti.pal@abp.in, +91 94330 92732) West: Suprokash Mukherjee (suprokash.mukherjee@abp.in, +91 98191 49454) Bangalore: Bharat Srinivasan (bharat.srinivasan@abp.in, +91 98862 90197) Chennai: R.V. Praveen (r.v.praveen@abp.in, +91 98840 14966) Hyderabad: Amit Sinha (amit.sinha@abp.in, +91 98494 26157)

BATES DAVID ENTERPRISE 1585

# The New Organisation

Talent management is a key focus area for organisations today. In this series, we discuss the context and key dimensions of Talent Management in the New Organisation

In the past, organisation networks were characterised by domination and power. By contrast, the New Organisation of today and tomorrow sees more value in delivering through a network of mutually interdependent entities - each entity having the strength and capability to operate on its own.

In many ways, the New Organisation is akin to honey bee comb colonies, where different work groups perform different interdependent tasks or jobs coordinated through a decentralised system of communication and control. Much like the honey bee comb organisation, we see many different parallel activities at any given moment in the New Organisation. Many of these activities are interrelated and must be kept in balance with one another. The honey bee comb organisation is centralised and decentralised, both at the same time.

In the honey bee colony, nectar collection must be adjusted to the amount of space available for honey storage. This in turn, requires that the comb builders and workers who are receiving and processing food must be sensitive to the level of foraging success. Furthermore, many of these activities, as well as the behaviour of the Queen, must be coordinated with the annual colony cycle so that swarming occurs early. The queen bee determines quantity of bee wax and ensures that standards are maintained. Every single bee has a purpose and is responsible for producing its allotted amount of honeycomb. The beehive colony has an essential core focus and mission and nothing occurs without the master plan.

In the New Organisation of today, technology and human capability is facilitating the welding of the divisional and functional boundaries and a bee colony-simulated matrix of relationships and roles have evolved. In this New Organisation:

- Knowledge management is the key for knowledge sharing throughout the organisation.
- For optimal organisation effectiveness, the leadership and decision-making changes depending on the situations.
- Skills are constantly evaluated and upgraded.
- Emphasis is on the absolutes of excellence like establishing trust, relationships, and networks.
- Information 'tentacles' reach out to customers and suppliers.

**Healthcare delivery organisations today operate very much like network organisations.** Each healthcare delivery team has two leaders - a clinical speciality leader and a business/commercial leader. Each team has people who also serve on other teams, and each key person serves on more than one team, hence the honeycomb knowledge management is one of the core capabilities, with its own core team.

## KEY CHARACTERISTICS OF THE NEW ORGANISATION

**Technology enabled Real-Time Operations:** The New Organisations would use real-time information to make fast changes in response to market conditions. As database and transactional systems become quicker and more integrated, companies can feed information to the right person at the right time to make a decision. Its success depends on the structure within which employees make decisions and take action with the information.

## SHAPING THE FUTURE

**Decentralised decision making with some element of centralisation:** The New Organisation would have elements of both centralised and decentralised organisations simultaneously. A study by Diamond Consulting revealed that the median number of direct reports from CEOs has risen from four to seven over 13 years. The study also shows that the average number of employees in these firms dropped from 86,000 to 70,000 in the same time frame. This suggests that CEOs are enhancing their organisations' centralised nature by connecting to more people in the organisation and at the same time encouraging decentralisation by pushing decision-making deeper into the firm to those who are closest to the end customer.

**Time & Talent instead of Cost arbitrage:** With communication and database technology that move customer and corporate data anywhere at lightning speeds, companies can hand over critical functions to third parties. The New Organisations would seek to create value by leveraging time arbitrage and talent availability instead of cost arbitrage that drove the success of the Indian BPO sector. When an employee in India is logging out of his work day, his counterpart in another part of the world, say Ireland, would log in and continue to work on the assignment. And by the time the work day is finished in Ireland, another colleague would take on the task in another part of the world. So what would have typically taken three working days would be completed within 24 hours.

**Workforce diversity:** The office of the future will be a virtual melting pot when it comes to diversity of employees in terms of age, gender, nationality or nature. Organisations will actively seek the inclusion of women, minorities, physically challenged and other groups to build greater organisation vitality. The New Organisation will not discriminate on age and gender but will discriminate on attitude and skills that an individual brings in. The workplace of the future will also see more cross cultural teams as a substantial number of people from other nationalities would come to India. Better healthcare facilities will keep people professionally active for much longer. Thanks to lowered communications and networking costs, even small companies can manage a global workforce. Networking structures are very evident - people coming together in cross-functional teams; learning networks; communities of practice.

### PREPARING FOR THE NEW WORKPLACE: SKILLS FOR FUTURE

The highly empowered work environment of tomorrow will require certain unique skills and leaders of the New Organisation have the challenge of ensuring that front-line workers, in particular, have the requisite skills to operate successfully in such a workplace. Besides technical and functional skills, employees of the new organisation would need networking and partnering skills to influence decisions. The New Organisation would need the skill base or mindset in the workforce to handle the sometimes opposing needs of both truly collaborative work as well as the increasing decision-making power of front-line workers. Moving from linear or hub-and-spoke interactions to a 'honey-comb' network of relationships is more than a structural and technological issue.

Such a workplace needs to invest in a global citizen as well as cross cultural training in order to ensure more effective collaboration across cultures and geographies. Training on various aspects of other cultures and etiquettes is required for meaningful interactions. In the future, employees would need to think beyond their respective regional zones and become trans-national in thought and spirit. Even small things like having a good sense of humour and being able to see the other person's point of view make a difference to the kind of colleague one is perceived to be.

While training helps, it might not be enough. Ensuring that the organisation has the skills needed to operate in the New Organisation means making changes in hiring, development-and potentially in involuntary turnover. Unseen in the firm is its social capital-tight, informal relationships among employees. The challenge in the New Organisation, would be to have appropriate processes and facilitation mechanisms that effectively leverage the immense potential of social networks.

The essence of the much networked New Organisation would be creating a workplace where a positive cycle is created by hiring the most competent, highly motivated people for a job and to provide them with the environment to fulfil their aspirations. The people dimension, then, assumes critical importance in the New Organisation and would be defined by different leadership styles that are more democratic and mentor-like.

*With inputs from: The People Company, the Executive Search & HR Consulting division of Technopak*

*Next issue: The People dimension in the New Organisation*

***For comments and feedback on this article reach us at: purplepatch@bworldmail.com***

## MY SAY

### Gagan Dugal: How important is workplace etiquette and why?

- **Discipline:** It inculcates organised work attitude among the staff, which reflects a healthy work culture and a motivated team.
- **Time Management:** It reduces the unnecessary burden of work spillovers and helps to execute the task assigned in a better and systematic manner.
- **Interpersonal Relation:** This aspect brings a high level of understanding, increases productivity and builds commmoradeship.

*<Gagan Dugal, Managing Director, Matrix Cellular (International) Services Pvt. Ltd.*

ALTERNATE VIEW

# Is your organisation ready for a 360°?

## The pros and cons of the 360-degree feedback system

While western companies have been doing it for more than a decade, Indian companies are slowly adopting the best international practice of 360-degree appraisal for leadership development. Unlike the conventional two-way evaluation process where an employee is appraised by his/her superior, the 360-degree appraisal system is a unique method that provides each employee the opportunity to receive performance feedback from his or her supervisor and peers, reporting staff members and customers.

In India, the IT companies, viz. Novell, Synygy, NetApp, were pioneers in implementing the 360-degree feedback system. Now, many non-IT companies from across sectors, including services and manufacturing are also applying this multi-dimensional tool for the growth of their organisations and people. Car market leader Maruti Suzuki which has recently implemented the system is gungho about the programme. However, says S.Y. Siddiqui, Managing Executive Officer, (HR/Fin/IT), Maruti: "We have used the 360-degree feedback mainly as a development tool rather than as an assessment exercise."

### ADVANTAGE 360-DEGREE

Undoubtedly, it is a transparent and democratic process wherein a person comes to know what his/her superiors, peers, juniors and customers think of him/her. This helps them to identify their shortcomings and strengths, which would ultimately result in improvement in individual performance. It also helps an organisation chart its training and development activities for an individual based on feedback. Additionally, the process empowers juniors, when they are asked to give feedback on their superiors.

As Praveen Tripathi, CEO, Hansa Consulting, who has seen this system at close hand in his previous company Starcom points out: "The biggest advantage is that it encourages team building and working together as a team."

### THE DOWNSIDE

The multi-rater 360-degree feedback mechanism might result in a backlash as many organisations have experienced. Because the whole process is confidential, people might feel threatened as there could be hard feelings amongst peers and it may translate into a negative feedback. As Tripathi admits - potentially, there could be situations where the system is subverted and an "I scratch my back, you scratch mine" attitude prevails with feedback tailored keeping in mind ambitions.

Also, some people may fear retaliation if they give negative feedback about their superiors. It has been seen that many people are demoralised by this multi-dimensional feedback process. Therefore, it is very important that right culture is created before introducing this bias-free appraisal system in a company.

### INTRODUCING 360-DEGREE FEEDBACK

It is essential that companies don't just adopt 360-degree because it is fashionable, but they should do it for concrete reasons like development of the people and organisation.

It is mandatory to create the right culture before introducing this appraisal system. If a firm has the scale and size to implement it while preserving the anonymity of the participants, it should consider implementing it. Companies should also invest time on designing the process so that it benefits both the employees and the company.

To make the system work in an effective manner, the senior management's involvement is also vital. And the design of the system must be in tune with the company's philosophy and strategy.

To understand, how a successful implementation works, look at Maruti's case in point. Before introduction, the company had a brainstorming session within the senior and top management team on the 'concept' of 360-degree feedback. "Then we involved all seniors, in our case all the department heads and above in a communication session on the concept of 360-degree feedback process," says Siddiqui.

The auto major also took time to address all doubts, queries and anxieties among employees to give as much clarity as possible to the affected group leading to high ownership of the programme. Finally, the launch and implementation of the feedback exercise was done through a competent external agency to ensure objectivity, confidentiality and a thorough professional process.

According to Siddiqui, the advantages of this system have been "98 per cent participation; consistency of feedback and high ownership of feedback; clarity on defined competencies for respective position/roles; self assessment and aware-ness of strengths and concern areas; eagerness to define self development plans and high HR team credibility in participants. The only disadvantage he feels is that there is no individual assessment report card of each participant.

Meanwhile, many firms are still shying away from adopting 360-degree appraisal because of the perceived cost factor. But Siddiqui refutes this saying it is a misconception that costs are high. He says when a cost benefit analysis is done on the programme, the benefits far outweigh the costs.

And as Hansa Consulting's Tripathi sums up, the advantages are far more than the drawbacks - "I would encourage companies to go for it. The crux lies in how it is administered and to have checks and balances in place. But I would still say have it rather than not," he says.

***For comments and feedback on this article reach us at: purplepatch@bworldmail.com***

# EMPLOYER SPOTLIGHT

**Mavenir Systems is an US-based innovative R&D company focused on developing products in wireless multimedia and converged networks. We are based in Richardson, Texas and are looking for talented engineers to work in a fast paced environment. Mavenir Systems develops solutions in the telecom core network area. It delivers innovative convergence services to any device by bridging core and access network generations.**

### TELECOM R&D ENGINEER - CORE NETWORK

**Job profile:** Development knowledge in IMS, GSM/UMTS, CDMA core network area (not access), VoIP, SIP and Megaco
**Experience:** 2-5 years
**Location:** Bangalore
**E-mail:** gudla@mavenir.com
**Job Code: CJ175441**

### SENIOR JAVA/WEB APPLICATION DEVELOPER

**Job profile:** Develop J2EE applications with emphasis on web applications for telecom core network. At least 5 years experience in Java/ J2EE development
**Experience:** 5-10 years
**Location:** Bangalore
**E-mail:** gudla@mavenir.com
**Job Code: CJ175479**

**Apps Associates provides services in Oracle Apps development, DBA, Microsoft .NET development, and Business Intelligence along with its own line of products. Recognised as one of the fastest growing private companies in America by Inc.com with its head quarters in Westford, MA, its Global Development Centre in Hyderabad, India and an operations office in Germany.**

### PRODUCT DEVELOPMENT MANAGER

**Job profile:** Managing product development in high-tech industry and strong hands-on experience in Java technologies
**Experience:** 5+ years
**Location:** Hyderabad
**E-mail:** jobs@appsassociates.com
**Job Code: CJ177915**

**Consim Info Pvt. Ltd., formerly the BharatMatrimony Group is India's leading internet company. From uniting people in matrimony, the group gradually diversified to provide a wide range of services from matrimony, property and automobile to jobs and listings to over 15 million users worldwide.**

### MANAGER-ALLIANCES

**Job Profile:** Should have experience in business development with core expertise in franchise development and associate build-ups from reputed FMCG, retail and service companies
**Experience:** 6-10 years
**Location:** Chennai
**E-mail:** careerpath@consim.com
**Job Code: CJ178617**

### ASST. MANAGER - BRAND

**Job profile:** Should have experience in product, brand, launch, promotions and market research with reputed FMCG, retail and service companies
**Experience:** 2-3 years
**Location:** Chennai
**E-mail:** careerpath@consim.com
**Job Code: CJ178627**

### MANAGER-EVENTS

**Job Profile:** Should have experience in marketing, with core expertise in events management, conducting events/promotions
**Experience:** 5-8 years
**Location:** Chennai
**E-mail:** careerpath@consim.com
**Job Code: CJ178635**

**The Fractional Ownership Programme of Club One Air, is India's first. It aims to give corporate India its very own premier airline for the exclusive use of its owners.**

### MANAGER-MARKETING

**Job Profile:** Tracking business from alliance tie ups, aircraft feedback form responses and follow up activites relating to client satisfaction. Loyalty programme, newsletter development & distribution and promotions
**Experience:** 4-5 years
**Location:** Delhi
**E-mail:** murli@cluboneair.com
**Job Code: CJ178496**

### GM-MARKETING

**Job Profile:** Creation and managing marketing budgets/spends, creation and development of various collaterals for product verticals, database management, collation of relevant data, tracking business from alliance tie ups, events management
**Experience:** 10-15 years
**Location:** Delhi, Gurgaon & Noida
**E-mail:** murli@cluboneair.com
**Job Code: CJ175350**

**Sitel is a global business process outsourcing leader. Sitel meets clients customer care and transaction processing needs through 65,000 associates in 28 countries.**

### OFFICER - VOICE SUPPORT

**Job profile:** Knowledge of Avaya Prologix, Avaya 8400, Avaya 8700, Media server series and any gateway series
**Experience:** 0-1 year
**Location:** Mumbai
**E-mail:** mum.careers@sitel-india.com
Job Code: CJ179403

### BACK OFFICE EXECUTIVES

**Job profile:** Responsible for transactions processing, dealing automobile loans, other back office activities
**Experience:** 0-1 year
**Location:** Mumbai
**E-mail:** vinod.sreenivasan@sitel-india.com
**Job Code: CJ178198**

**IPsoft, formed in 1998, is a leading managed service provider, offering a converged solution to systems, network, database and applications management for its customers.**

### UNIX ADMINISTRATORS -SENIOR

**Job profile:** Candidate must be hands-on Solaris 2.6, 7, 8, 9 and 10 on Sparc Solaris Kernel Tuning for Oracle database and application databases
**Experience:** 6-15 years

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

**Location:** Bangalore
**E-mail:** ubhaskar@ip-soft.net
**Job Code: CJ132778**

### ORACLE DBA MANAGER

**Job profile:** Responsible for installation, configuration and upgrading of Oracle server software and related products
**Experience:** 7+ years
**Location:** Bangalore
**E-mail:** ubhaskar@ip-soft.net
**Job Code: CJ173419**

## GNG GROUP

**GNG was established in 1996, now handling power transmission and distribution projects and currently has the complete capacity to perform as a main contractor to carry out not only turnkey power projects but also energy engineering projects and other related manufacturing activities.**

### SENIOR MARKETING EXECUTIVE

**Job Profile:** To seek appointments and attend to large contractors, PSUs such as L&T, Siemens, KLG Systel, Gammon and Power Grid, Rites, NHPC, NTPC
**Experience:** 2-5 years
**Location:** Gurgaon
**E-mail:** marketing@gnggroup.com
**Job Code: CJ168917**

### ASSISTANT MANAGER - FINANCE

**Job Profile:** Responsible for general ledger accounting & reconciliation, budget preparation and monitoring variances, taxation accounting and compliance with all internal and external statutory requirements
**Experience:** 3-8 years
**Location:** Gurgaon
**E-mail:** finance@gnggroup.com
**Job Code: CJ152247**

## WIPRO

**Wipro Technologies is a global provider of consulting, IT services, and outsourced R&D, infrastructure outsourcing and business process services.**

### JAVA/J2EE ARCHITECT

**Job Profile:** Strong working experience in Java/ J2EE including strong programming skills, STRUTS, RMI, XML, SWING/SWT, Design patterns, Java/J2EE optimisation, Design principles, UML modeling, Ajax, JSF, Hibernate and Spring
**Experience:** 6-10 years
**Location:** Bangalore
**E-mail:** manager.career@wipro.com
**Job Code: T52331**

### SENIOR EXECUTIVE - RECRUITMENT

**Job Profile:** End-to-end process involvement from screening resumes, conducting interviews, fitment decisions, offer release right upto the candidate joining
**Experience:** 1-3 years
**Location:** Bangalore
**E-mail:** manager.career@wipro.com
**Job Code: T29273**

## AREVA

**Our products and systems serve to transmit and distribute electricity, ensure the reliability, quality and safety of energy flows, as well as operate efficient networks through information management. It is one of the world's leading T&D companies and has over 25,000 employees located in more than 30 countries.**

### GIS ENGINEER

**Job profile:** Responsible for GIS installation at site as per drawings, manuals, specifications. Responsible for the final tests of the installed plant as per specified test procedures
**Experience:** 3-5 years
**Location:** Noida & Delhi
**E-mail:** resumestoareva@gmail.com
**Job Code: CJ177840**

### ASSISTANT MANAGER-MANUFACTURING

**Job profile:** To achieve the production target through planning, co-ordination and execution. To maintain quality and timely delivery as per standards
**Experience:** 2-3 years
**Location:** Chennai
**E-mail:** resumestoareva@gmail.com
**Job Code: CJ177319**

## firstsource

**Firstsource is today acknowledged as one of India's leading business process outsourcing (BPO) companies. It has consistently outperformed industry growth rates and are constantly on the look out for the right talent across levels and operational expertise.**

### CUSTOMER SERVICE ASSOCIATE

**Job profile:** Handle customer calls and resolve their queries, candidate should be proficient in English and Hindi
**Experience:** 1+ years
**Location:** Indore
**E-mail:** mycareer.indore@firstsource.com
**Job Code: CJ177994**

### CUSTOMER SERVICE ASSOCIATES-FINANCIAL PROCESS

**Job profile:** Proactively manage the customer experience, comprehend the data fields for matching debits & credits and different fields associated with it
**Experience:** 1-2 years
**Location:** Mumbai
**E-mail:** hema.shriyan@firstsource.com
**Job Code: CJ176321**

## ekartha

**Ekartha is a US-based software development company which provides software products and services in the area of On Demand Software or Software as a Service (SAAS).**

### DATABASE ADMINISTRATOR

**Job profile:** You will be involved in determining scalability, availability and performance criteria, as well as designing databases and infrastructures
**Experience:** 3-6 years
**Location:** Pune
**E-mail:** jobs@ekartha.com
**Job Code: CJ154141**

### BUSINESS ANALYST KPO

**Job profile:** Will be working on our loan product, studying loan programmes and interpret data relating to home loans in the United States, map the data to our database structure
**Experience:** 0-3 years
**Location:** Pune
**E-mail:** jobs@ekartha.com
**Job Code: CJ138400**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# CONSULTANT SPOTLIGHT

**Origin Consultants Pvt. Ltd., an executive search company has been retained by one of the largest professional services firm where 113,000 people worldwide provide audit, tax and advisory services from 717 cities in 148 countries. Focused on middle & senior management search origin partners with professional organisations in a consultative process aimed at selecting organisational leaders.**

### SENIOR MANAGERS/MANAGERS TAXATION

**Job profile:** Should serve as an advisor to clients in a range of industries on various tax issues regarding direct/indirect/international tax. Lead and mentor a team to achieve effective tax compliance manage tax risks & control costs for clients
**Experience:** 5-12 years
**Location:** Mumbai
**E-mail:** nita_thaker@originconsultants.com
**Job Code: CJ179508**

**Sphinx Resources Pvt. Ltd., based in Hyderabad, is an established name for responsibility & reliability in interactions while opening up quality opportunities to their candidates with absolute confidentiality.**

### EMBEDDED & HARDWARE DESIGN ENGINEERS

**Job profile:** Should have good knowledge in embedded firmware design, hardware design of multi-layer & high-density PCBs, analog/digital/ mixed signal circuit design
**Experience:** 4-15 years
**Location:** Bangalore, Hyderabad & Mysore
**E-mail:** bestjobs@sphinxresources.com
**Job Code: CJ178336**

### COMMERCIAL MANAGER

**Job profile:** The responsibilities would include: timely execution of customer orders, logistics management, inventory control, warehousing management, stocks monitoring, constant improvement in sources with the cost & delivery schedules as the focus
**Experience:** 10-15 years
**Location:** Malaysia
**E-mail:** bestjobs@sphinxresources.com
**Job Code: CJ179487**

**Teamworx Consulting specialises in media, sales, marketing and research as well as in engineering. With the philosophy of ensuring satisfaction to both clients and candidates, Teamworx has a committed set of professionals who believe in applying process and in building lasting relationships. Based in Bangalore, Teamworx has a growing set of clients across the country.**

### ASSOCIATE MANAGER, BIOSTATSTICS

**Job Profile:** Responsible for plan analysis, table shells, programming and table specifications, the production of tables, listings and figures, data review and statistical analysis. Write statistical sections of integrated reports
**Experience:** 5-8 years
**Location:** Bangalore
**E-mail:** jobs@theteamworx.com, deepak@theteamworx.com
**Job Code: CJ178739**

### KEY ACCOUNT MANAGER

**Job Profile:** To conceive, develop and execute successful brand strategies and obtain leadership for Seagram in premium and standard categories
**Experience:** 4-8 years
**Location:** Bangalore
**E-mail:** jobs@theteamworx.com, sapna@theteamworx.com
**Job Code: CJ178746**

**Mastermind Network came into existence as premier management consultants in the year 1994. The company specialises in senior and middle management placements for companies operating across different industries. Over the past 11 years, the company has shown a consistent growth in terms of number of placements & revenue turnover.**

### AVP -IT RECRUITMENT

**Job Profile:** Analysis & forecasting of manpower requirements in line with organisational business objectives, strategising & planning the recruitment model to meet hiring targets
**Experience:** 9-14 years
**Location:** Gurgaon
**E-mail:** deepti@mastermindnetwork.co.in
**Job Code: CJ175131**

### DIRECTOR FINANCE

**Job profile:** Integrate global accounting & reporting systems, ensure strict compliances to statutory Indian and US GAAP requirements, maintain financial discipline and appropriate financial controls and processes throughout the company
**Experience:** 12-17 years
**Location:** Gurgaon
**E-mail:** deepti@mastermindnetwork.co.in
**Job Code: CJ175130**

**The Human Capital, founded by professionals with rich experience of different IT domains, it believes that it understands the needs of both the customer and the candidate better and seeks to strike a match which adds value for both.**

### BUSINESS DEVELOPMENT MANAGER

**Job Profile:** Business development manager for a billion $ MNC experience required in selling POS (Point of Sales) or POS related products to banks
**Experience:** 6-12 years
**Location:** Mumbai
**E-mail:** muday_bhaskar@yahoo.com
**Job Code: CJ175265**

### DIRECTOR-ASIC DESIGN

**Job Profile:** Should manage next-generation handheld multimedia platforms. Drive the development of new unique technology building clocks and focus on innovation and excellence
**Experience:** 12-22 years
**Location:** Hyderabad/Secunderabad
**E-mail:** muday_bhaskar@yahoo.com
**Job Code: CJ179564**

### DATABASE DEVELOPMENT MANAGER

**Job profile:** Will be responsible for all aspects of requirement analysis, database logical/physical design, application development using PL/SQL in 9i/10g, and performance tuning of the applications
**Experience:** 10-20 years
**Location:** Noida
**E-mail:** kapil@thehumancapital.net
**Job Code: CJ171155**

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

Job Cookies
Trust us for jobs

**Job Cookies was incorporated in 2004 with a commitment to provide appropriate solutions to clients in the areas of recruitment and human resources consultancy.**

### GM SALES
**Job profile:** Should be a senior sales person having product selling experience in ERP, CRM, insurance, FS, M&A, CMS
**Experience:** 15-20 years
**Location:** Mumbai, Delhi & Chennai
**E-mail:** rani@jobcookies.com
**Job Code: CJ179735**

### VP OPERATIONS
**Job Profile:** Will be a person heading operations of a leading BPO company
**Experience:** 15-20 years
**Location:** Chennai
**E-mail:** rani@jobcookies.com
**Job Code: CJ179734**

**Incorporated in 2004, Actinum Technologies is a consulting and technology services company and a subsidiary of US-based Actinum Group LLC. With extensive management experience in delivering services for clients globally, Actinum Technologies is committed to delivering quality service.**

### FINANCIAL SERVICES MANAGER
**Job Profile:** Responsible for new customer acquisitions and selling life insurance product by managing a team sales executives
**Experience:** 2-7 years
**Location:** Chennai, Bangalore & Hyderabad
**E-mail:** careers@actinumtech.com
**Job Code: CJ174671**

### J2EECONSULTANT/MULTIPLE POSITIONS (PERMANENT, ONSITE)
**Job Profile:** Part of a development and implementation team deploying a business Intelligence product at client place in Lagos, Nigeria
**Experience:** 4-7 years
**Location:** Lagos
**E-mail:** careers@actinumtech.com
**Job Code: CJ178472**

Plus
Opportunities unlimited

**Plus HRMS has established itself as a successful executive search firm and carved a niche in this competitive industry.**

### REGIONAL MANAGER, CORPORATE AGENCY ALLIANCES
**Job profile:** Should ensure new partner identification, negotiation and appointment as per partner acquisition process. Personal contribution to creation of new accounts (rain making) and involvement in accounts created by territory managers
**Experience:** 12-18 years
**Location:** Mumbai & bangalore
**E-mail:** kumaravel@plushrms.com
**Job Code: CJ178604**

### MANAGER - BUSINESS CONTINUITY PLANNING
**Job profile:** Responsible for coordinating the development of plans and procedures to ensure the organisation can respond to any business interruption quickly. To assess the business risks, and process & IT resiliency
**Experience:** 5-8 years
**Location:** Mumbai
**E-mail:** sharmila@plushrms.com
**Job Code: CJ178607**

**Exclusive Search Recruitment Consultants (ESRC) is a leading recruitment consultancy organisation catering to the human resource requirements of a large number of companies in India and overseas.**

### HR PROFESSIONALS
**Job profile:** Should Invite applications from HR professionals from premier schools like TISS, XLRI, Symbiosis for position with MNCs
**Experience:** 2-15 years
**Location:** Across India
**E-mail:** topjobs@clickitjobs.com
**Job Code: CJ179488**

### SENIOR CONSULTANT - MAXIMO
**Job profile:** Any engineering graduate with 8-15 years of overall IT experience and minimum 3-6 years of experience in Maximo
**Experience:** 8+ years
**Location:** Bangalore & Chennai
**E-mail:** priya@exclusivesearch.com
**Job Code: CJ179492**

Member of CORNERSTONE INTERNATIONAL GROUP

**Cornerstone India is leading executive search firm and a member of Cornerstone International Group, a consortium of executive search and consulting firms with approximately 100 member offices across the world. Cornerstone specialises in CEO & CXO level searches and invites senior professionals to share their profiles in confidentiality.**

### CEO/COO - $ 2 billion EPC Co. 15K+ employees. Handles projects in O&G, Petro., Power Plants etc.
**Job Profile:** BEMech. MBA, excellent techno-commercial background. Experience in handling multiple mid/large projects with some international experience, P&L, project planning, scheduling, contract finalisation, execution, project control, timely project completion, contract laws, national & international tendering
**Experience:** 20+ years
**Location:** S. Arabia
**E-mail:** akila@cornerstone.co.in
**Job Code: CJ179528**

### HEAD - HR LEADING RETAIL CHAINS
**Job Profile:** MBA, HR, scale-up company's recruitment, manpower planning, performance standards, succession planning, talent management, employee satisfaction, training & development needs, training calendar, performance appraisal, development HR policies. Upgrade compensation & benefits as per industry standards, strategic planning, problem resolution & Man - management & commercial skills
**Experience:** 12-18 years
**Location:** Mumbai, Chennai & Delhi
**E-mail:** akila@cornerstone.co.in
**Job Code: CJ179530**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com
India's Premium Job Portal

# JOBS IN SALES

- **SALES MANAGER**
  **Company:** 24x7 Corporate Solutions
  **Job Profile:** Responsible for selling insurance products
  **Experience:** 1 year
  **Location:** All over Tamilnadu
  **E-mail:** rajesh.s@24x7cs.com, aarthi.r@24x7cs.com
  **Job Code: CJ179413**

- **KEY ACCOUNTS MANAGER**
  **Company:** E Source Global
  **Job Profile:** Responsible for direct sales of the networking solutions to corporate. Ability to provide consulting to the customer on networking solution
  **Experience:** 2-5 years
  **Location:** Mumbai
  **E-mail:** jennifer@esourceglobalhr.com
  **Job Code: CJ179516**

- **BRANCH MANAGER**
  **Company:** E Source Global
  **Job Profile:** Responsible to handle the branch operations from retail/HNI clients. To handle RM's team, risk management and supervision
  **Experience:** 5+ years
  **Location:** Mumbai
  **E-mail:** jennifer@esourceglobalhr.com
  **Job Code: CJ178444**

- **SALES OFFICERS**
  **Company:** Derby Communications (India) Pvt. Ltd.
  **Job profile:** Sales officer will be responsible to handle the sales of financial products through direct selling, achieving targets/deadlines on time and must have zeal to sell any financial product
  **Experience:** 1-5 years
  **Location:** Dubai, Abu Dhabi & Al Sharjah
  **E-mail:** delhi@derbyindia.com
  **Job Code: CJ155845**

- **MANAGER PRIORITY CIRCLE**
  **Company:** Opportunity The Recruitment Firm
  **Job profile:** To deal with HNI clients and to recruit agents and advisors who can do the same business development with high-end clients, recruiting a team of high-end advisor
  **Experience:** 3-12 years
  **Location:** Delhi, Gurgaon, Noida, Indore, Jaipur & Lucknow
  **E-mail:** ashish.bhasin@opportunity-india.com
  **Job Code: CJ168398**

- **BRANCH MANAGER**
  **Company:** Consim Info Pvt. Ltd.
  **Job Profile:** Should handle branch operations successfully and will be solely responsible for its performance. Should be an excellent PR person to tie-up with various organisations
  **Experience:** 4-7 years
  **Location:** Pune, Bangalore, Mumbai, Nagpur & Ernakulam
  **E-mail:** careerpath@consim.com
  **Job Code: CJ179476**

- **SALES MANAGER INSURANCE**
  **Company:** Opportunity The Recruitment Firm
  **Job Profile:** To recruit agents & advisors to motivate them to generate business for the company, experience in direct sales from any of the fields, insurance, banking, FMCG, retail, telecom and pharma
  **Experience:** 2-10 years
  **Location:** Bhatinda, Chandigarh, Jalandhar, Ludhiana, Pathankot & other
  **E-mail:** ashish.bhasin@opportunity-india.com
  **Job Code: CJ168388**

- **ASST. BRANCH MANAGER**
  **Company:** Consim Info Pvt. Ltd.
  **Job Profile:** Should have 3-5 years of experience in sales/marketing and strong on local promotions and events
  **Experience:** 3-5 years
  **Location:** Chennai
  **E-mail:** careerpath@consim.com
  **Job Code: CJ179477**

- **SALES OFFICERS - FIELD**
  **Company:** Toyota Lakozy Auto Pvt. Ltd.
  **Job profile:** Should lead a team of sales professionals to meet challenging targets, should generate sales, target achiever. Should be able to describe the various features of the vehicles to customers
  **Experience:** 1-2 years
  **Location:** Mumbai
  **E-mail:** hr@toyotalakozy.com
  **Job Code: CJ168808**

- **KEY ACCOUNTS MANAGER**
  **Company:** Suven Consultants
  **Job profile:** Acquiring large corporate and institutional clients towards salary accounts
  **Experience:** 3-5 years
  **Location:** Mumbai
  **E-mail:** suven_consultants@rediffmail.com
  **Job Code: CJ179125**

- **SALES EXECUTIVE**
  **Company:** Addone Consulting
  **Job profile:** Should get the business from respective dealer network, good rapport with IT dealers, knowledge of PC, internet, MS Office
  **Experience:** 2-4 years
  **Location:** Chennai, Bangalore & Hyderabad
  **Email:** krishna.j@addoneconsulting.com
  **Job Code: CJ179315**

- **SALES COORDINATOR**
  **Company:** Addone Consulting
  **Job profile:** Responsible for business letter correspondences, handling customers over phone
  **Experience:** 0-2 years
  **Location:** Bangalore
  **E-mail:** krishna.j@addoneconsulting.com
  **Job Code: CJ179322**

- **ASST SALES/SALES MANAGER**
  **Company:** Ideal Placement & Consultants (P) Ltd.
  **Job profile:** Will be responsible for recruiting the advisors and selling the life insurance policies through them
  **Experience:** 3-15 years
  **Location:** Rajahmundry
  **E-mail:** hr.adm3@idealconsultants.com
  **Job Code: CJ179245**

- **SENIOR SALES EXECUTIVE**
  **Company:** Client of Mangalam
  **Job profile:** This position is responsible for selling the complete range of products of Installation System and Control (ISC) and Clipsal Integrated System (CIS) in residential segment through project selling/channel management
  **Experience:** 2-6 years
  **Location:** Pune
  **E-mail:** divya.v@mangalamjobs.com
  **Job Code: CJ179247**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# Jobs in Senior Management

- NATIONAL HEAD - MORTGAGES
  **Company:** IMR Corporate Services
  **Job profile:** Should have sound knowledge of mortgage business, excellent communication skills and proven leadership qualities, lead the team of regional managers, sales managers and unit managers
  **Experience:** 9-15 years
  **Location:** Mumbai
  **Email:** imrcorporateservices@yahoo.com
  **Job Code: CJ179178**

- BUSINESS INTEGRATION
  **Company:** Exclusive Search
  **Job profile:** Any graduate with 10+ years of experience in business integration tools such as Cognos. Should be in banking domain
  **Experience:** 10+ years
  **Location:** Singapore
  **E-mail:** anita@exclusivesearch.com
  **Job Code: CJ179497**

- GENERAL MANAGER FINANCE
  **Company:** Live Connections
  **Job profile:** MBA with a minimum of 8 years of experience in managing all aspects of finance functions
  **Experience:** 8-10 years
  **Location:** Bangalore
  **E-mail:** vinay@livecjobs.com
  **Job Code: CJ456456**

- MANAGER/SENIOR MANAGER-DESIGN
  **Company:** Myniche jobs
  **Job profile:** Experience in basic & detail engineering of power plants with good knowledge of system calculation, equipment selection, layout, selection of balance of plant equipments. Should lead the team of design engineers
  **Experience:** 10-20 years
  **Location:** Chennai
  **E-mail:** bank@nichejobs.in
  **Job Code: CJ179029**

- GM-MARKETING
  **Company:** ismart Management Solutions Pvt. Ltd.
  **Job profile:** Should identify, develop and execute the marketing and branding strategy to improve market share and reach
  **Experience:** 12-15 years
  **Location:** Chennai
  **E-mail:** swathi@ismartjobs.com
  **Job Code: CJ179398**

- GENERAL MANAGER
  **Company:** Vtech Vision Services
  **Job Profile:** Would be responsible for all wireless network maintenance, budgeting & cost planning. Tender/proposal preparation, business development. Must have experience in civil Infra
  **Experience:** 12+ years
  **Location:** Mumbai
  **E-mail:** hr.vtvs@gmail.com
  **Job Code: CJ175694**

- VICE PRESIDENT/ASSOCIATE VICE PRESIDENT
  **Company:** Talent Corner Hr Services
  **Job Profile:** To acquire and nurture HNI clients & corporates for wealth management solutions. Required to analyse client portfolios. Update onself continuously on happenings in market place
  **Experience:** 5+ for AVP & 8+ for VP
  **Location:** Mumbai, Delhi, Kolkata & Bangalore
  **E-mail:** rasheshdoshi@tcmail.co.in
  **Job Code: CJ179535**

- PROJECT MANAGER
  **Company:** Domestics and Overseas Consultancy
  **Job Profile:** Responsible to manage & deliver assigned projects to company's & client's expectation as per schedule, meeting HSE & quality requirements & achieve target profitability
  **Experience:** 12-25 years
  **Location:** Wilayah Persekutuan Kuala Lumpur & Singapore
  **E-mail:** hr@daoconsultancy.com
  **Job Code: CJ179502**

- HEAD HR
  **Company:** GlobalHunt India Pvt. Ltd.
  **Job profile:** Responsible for understanding human resource needs across different regions and translating into efficient and effective implementation of HR processes
  **Experience:** 12-15 years
  **Location:** Ahmedabad
  **E-mail:** jobs@globalhunt.in
  **Job Code: CJ178761**

- TECHNICAL ARCHITECT/SENIOR ARCHITECT
  **Company:** Floyd Consultants
  **Job profile:** Experience in end-to-end architecture on any of the following technologies: Java, J2EE, Core Java, .Net, C++, Biztalk, SAP, Sharepoint
  **Experience:** 5-15 years
  **Location:** Delhi, Bangalore, Gurgaon & Noida
  **E-mail:** vikas@floydmail.com
  **Job Code: CJ179345**

- DIRECTOR : QUALITY ENGINEERING
  **Company:** HR Capitol
  **Job profile:** Key challenges for the incumbent is to establish and drive product qualification strategy, direction and process through the organisation
  **Experience:** 15-20 years
  **Location:** Bangalore
  **E-mail:** yahoosdc@hrcapitol.co.in
  **Job Code: CJ179053**

- HEAD: MARKETING
  **Company:** Consim Info Pvt. Ltd.
  **Job Profile:** Should build brand identity, marketing plan, marketing operations, agency coordination, new product development and research
  **Experience:** 6+ years
  **Location:** Chennai
  **E-mail:** careerpath@consim.com
  **Job Code: CJ179482**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# JOBS IN FINANCE

- **MANAGER DIRECT TAXATION**
  **Company:** Live Connection
  **Job profile:** Should represent assessment proceedings before assessing officers, appeal proceedings before Commissioner of Income Tax
  **Experience:** 5-10 years
  **Location:** Chennai & Hyderabad
  **E-mail:** vinay@livecjobs.com
  **Job Code: CJ179435**

- **FINANCE -MANAGER**
  **Company:** Ladder Steps
  **Job Profile:** Should have experience in finance modeling and land valuation
  **Experience:** 12-15 years
  **Location:** Bangalore
  **E-mail:** Sunitha@theladdersteps.com
  **Job Code: CJ179501**

- **OPERATIONS MANAGER**
  **Company:** 24x7 Corporate Solutions
  **Job profile:** Responsible for banking operations such as looking after MIS, accounts, finance and cash inward and outward flow
  **Experience:** 8-12 years
  **Location:** All over South India
  **E-mail:** unnikrishnan.r@24x7cs.com
  **Job Code: CJ179409**

- **CREDIT MANAGER**
  **Company:** 24x7 Corporate Solutions
  **Job profile:** Responsible for credit underwriting and credit process of bank, experience in credit appraisal and credit underwriting
  **Experience:** 8 -12 years
  **Location:** All over South India
  **E-mail:** unnikrishnan.r@24x7cs.com
  **Job Code: CJ179411**

- **FINANCIAL PLANNING MANAGER**
  **Company:** 24x7 Corporate Solutions
  **Job profile:** Responsible for selling investment products
  **Experience:** 1-3 years
  **Location:** All over South India
  **E-mail:** swarna.v@24x7cs.com
  **Job Code: CJ179412**

- **MANAGER (FINANCE)**
  **Company:** Galaxy Management Services
  **Job Profile:** Experience in direct and indirect taxes, excise duty, VAT, service tax, treasury operations, insurance, good understanding of statutes, practices and accounting standards etc.
  **Experience:** 4-10 years
  **Location:** Hyderabad
  **E-mail:** career@hrgms.com
  **Job Code: CJ178922**

- **DGM FINANCE**
  **Company:** Global Management Consultant
  **Job profile:** The candidate has to take care of all types of accounts as well as the financial dealing of the company
  **Experience:** 8-15 years
  **Location:** Delhi, Noida & Gurgaon
  **E-mail:** globalmanagement2007@yahoo.com
  **Job Code: CJ177353**

- **HEAD MORTGAGES - WEST**
  **Company:** IMR Corporate Services
  **Job Profile:** Responsible for the entire mortgage business of the western region. Planning and implementing marketing, responsible for marketing, operation and profitability for the western region
  **Experience:** 7-10 years
  **Location:** Mumbai
  **E-mail:** imrcorporateservices@yahoo.com
  **Job Code: CJ179186**

- **HEAD - UNDERWRITING (UNSECURED)**
  **Company:** IMR Corporate Services
  **Job Profile:** Heading the underwriting and credit function for retail asset finance, comprising personal loans (STPL/MTPL/HTPL), consumer durable loans, leading a team of state credit heads, regional credit heads and branch credit heads
  **Experience:** 9-15 years
  **Location:** Mumbai
  **E-mail:** imrcorporateservices@yahoo.com
  **Job Code: CJ179193**

- **FUNCTIONAL CONSULTANT - DERIVATIVES/COMMODITY/F&O**
  **Company:** Zend Consulting Services
  **Job profile:** Will be responsible for interacting with prospects & clients in the commodity & energy trading industry worldwide
  **Experience:** 3-10 years
  **Location:** Pune
  **E-mail:** resume@zcsindia.com
  **Job Code: CJ178993**

- **CREDIT ANALYST**
  **Company:** Ujjivan Financial Services Pvt. Ltd.
  **Job profile:** Should approve loan applications and check supporting documentation for potential customers based on specific approval criteria
  **Experience:** 2+ years
  **Location:** Kolkata
  **E-mail:** hr.kol@ujjivan.com
  **Job Code: CJ179024**

- **EQUITY - RETAIL**
  **Company:** Esource Gobal
  **Job profile:** Responsible for equity dealing, execution of institutional trades, speaking to clients and maintain relations with them
  **Experience:** 3-6 years
  **Location:** Mumbai
  **E-mail:** jobs@esourceglobalhr.com
  **Job Code: CJ178312**

- **CFOS** - Our clients, large Business Houses, India
  **Company:** Cornerstone Consulting
  **Job Profile:** CA, handle entire finance function at corporate level or at business unit level, T/O each business unit = Rs. 200-500 crore & group T/O = Rs. 1.5K - 4K crore. KRA: Sys & Procs., reports, MIS, A/cs, budget, tax, M&A, forex, treasury management, risk management, bills & collection, project/product wise profit. Arrest profit leakage
  **Experience:** 12-18 years
  **Location:** Mumbai, Bangalore & Delhi
  **E-mail:** akila@cornerstone.co.in
  **Job Code: CJ179529**

- **ACCOUNTS - COSTING**
  **Company:** ISEO Systems Pvt. Ltd.
  **Job profile:** Should have experience relevant to costing field from auto/auto ancillary industry
  **Experience:** 1-8 years
  **Location:** Chennai
  **E-mail:** viji@iseoconsultants.com, iseonline@vsnl.net
  **Job Code: CJ178835**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# Genius could be a state of mind:

## but how often is the true genius celebrated at work?

### An acknowledged Internet leader

• With 850 employees in 40 offices across the world. • Spanning diverse online verticals
• With an unwavering vision to provide world-class solutions.

A relatively new corporate name of an established leader in the Indian Internet space, Consim Info Pvt Ltd, formerly known as the Bharatmatrimony Group effectively caters to the diverse needs of the net-savvy masses who turn to the Internet and mobile for solutions. With a corporate portfolio that comprises of Matrimony, Property, Automobile, Jobs to Listings and SMS services, the company employs more than 850 people in 40 offices across the world. Funded by Yahoo!, Canaan partners and Mayfield Funds the group is poised to change the face of the global Internet industry considerably over the coming years.

**The Team at work!**

The team at Consim is a consortium of leaders driven by a common passion to outdo expectations and add value to everything it undertakes. Determined to be globally recognized for our solutions, we look for people who are passionate about what they do and are willing to accept and work with the ideas of others. With an open environment built on trust and sincerity, at Consim, everyone is important; you, your ideas, your dreams are as integral to us as our vision to develop better global Internet solutions.

**Job Opportunities**

Motivated to expand exponentially we aspire to build a community of geniuses who seek to excel and adapt to the continuous changes in the technological world. We believe in building steadily for a glorious future by taking risks, working hard and looking beyond the realms of the ordinary and trudging the uncharted seas of innovation with an unshaken trust in our capabilities.

Consim Info is once again ready to hire outstanding people who share our vision to grasp the extraordinary.

**Manager - Alliances**

MBA with 6-10 yrs experience in business development with core expertise in Associate build-ups and strategic tie-ups. Preferably from FMCG/Services/Retail industry.

**Assistant Manager - Brand**

MBA, 2-3 years experience in product, brand, launch, promotions and market research. Preferably from FMCG/Services/Retail industry.

**Manager - Events**

MBA Marketing with 5-8 yrs experience in Marketing with core expertise in Events Management. Preferably from FMCG/Services/Retail industry.

**Product Manager**

MBA Marketing, 6-10 years of experience of which at least 5 years in Product development. Should be strong on defining and delivering online products, working closely with multi-disciplinary teams like marketing, QA and UI design teams to drive product definition and development from services/dotcom domains.

**Regional Manager (Cochin/Bangalore)**

MBA with a focus on marketing and sales, having 4-7 years of core experience preferably from Corporate Banking, FMCG, Dotcom and Service sectors. Strong background in franchise channel management, local promotions and events essential.

**Head – Marketing**

MBA with 6-10 years of relevant experience in sales, marketing and brand launch from premium companies in FMCG, Service, telecom sector. Should be ready to take up a challenging role, preferably from Chennai.

**Manager - Media Sales**

MBA Marketing with 3-5 years work experience in media sales with a proven track record of strategizing, creating and meeting sales targets.

**Branch Manager/ Assistant Branch Manager**

Graduate/MBA with 3-7 years experience in sales, marketing, local promotions, events and operations, from reputed FMCG, retail, services industry, should have handled branch independently.

**Legal Officer**

Law Graduate, 4-7 years experience in corporate legal affairs, excellent oral and written communication skills.

**All positions are based in Chennai except Regional Manager.**
**FRESHERS NEED NOT APPLY FOR ANY OF THE ABOVE POSITIONS MENTIONED.**

Interested candidates can email their resume to
careerpath@consim.com

Our Network: bharatmatrimony.com | CLICKJOBS.com | IndiaProperty.com | IndiaAutomobile.com

consim
Info Pvt Ltd

# JOBS IN INFORMATION TECHNOLOGY

- **DEVELOPER - SIEBEL ANALYTICS**
  **Company:** Exclusive Search
  **Job profile:** Must be experienced and expert in Siebel Analytics Metadata Configuration (RPD) and reports development, experience in design and development of physical, business model and presentation layers
  **Experience:** 3+ years
  **Location:** Bangalore, Chennai, Hyderabad & Pune
  **E-mail:** Yuvaraju@exclsivesearch.com
  **Job Code: CJ179490**

- **SAP- NETWEAVER CONSULTANT-PROJECT LEAD**
  **Company:** Ladder Steps
  **Job Profile:** Should have minimum of 2 years experience in netweaver., atleast one implementation (implementation in EP is preferable)
  **Experience:** 6-8 years
  **Location:** Pune
  **E-mail:** rajesh@theladdersteps.com
  **Job Code: CJ179466**

- **SYSTEM SOFTWARE POSITIONS**
  **Company:** Postive Results
  **Job profile:** Should be proficient in C/C++, data structure, OOPS, OOAD and Unix/ Linux/Windows
  **Experience:** 2-10 years
  **Location:** Bangalore
  **E-mail:** mailus@positiveresultsindia.com
  **Job Code: CJ174387**

- **ASIC DESIGN AND VERIFICATION ENGINEER**
  **Company:** Postive Results
  **Job profile:** should have good knowledge Verilog, C, C++, SystemC Protocols like PCIX/PCIEX/IPSec, Cache Coherence, Scripting with Perl/Shell, Synopsys, Cadence & Mentor EDA toolset
  **Experience:** 3-5 years
  **Location:** Bangalore
  **E-mail:** mailus@positiveresultsindia.com
  **Job Code: CJ174386**

- **SAP CONSULTANTS**
  **Company:** Sage Technologies
  **Job profile:** SAP professionals with a minimum of 2+ years of experience in SAP R/3 all module and new dimension like CRM/SRM/SEM/APO/ Basis and ABAP
  **Experience:** 2-20 years
  **Location:** Delhi, Mumbai & Chennai
  **E-mail:** resume_rpo@sagetl.com
  **Job Code: CJ163050**

- **ASIC DESIGN/VERIFICATION/ PHYSICAL DESIGN MANAGERS**
  **Company:** Concorde Management Consultants
  **Job profile:** Would be responsible for physical design and verification of large SoCs, pertaining to floorplanning and power grid design, clocktree, timing and congestion driven routing and chip finishing
  **Experience:** 9-14 years
  **Location:** Delhi, Bangalore & Hyderabad
  **E-mail:** amit@cmctechjobs.com
  **Job Code: CJ179467**

- **SENIOR PHP PROGRAMMER**
  **Company:** IPP Consultancy Services Pvt. Ltd.
  **Job profile:** Good hands on experience in Apache, MySQL, PHP and JavaScript, Ajax, FileMaker, HTML, Linux & FreeBSD from the command line, developing object oriented programming
  **Experience:** 5-7 years
  **Location:** Australia/Philippines (Manila)
  **E-mail:** hr1@ippcs.co.in
  **Job Code: CJ178599**

- **DEVELOPER/PROJECT LEADER/ PROJECT MANAGER**
  **Company:** Exclusive Search
  **Job profile:** Developer/project leader/project manager - Labware/Labvantage, any engineering graduate with 8-15 years of overall IT experience and minimum 3-6 years of experience in LIMS
  **Experience:** 8+ years
  **Location:** Bangalore & Chennai
  **E-mail:** priya@exclusivesearch.com
  **Job Code: CJ179493**

- **PRE SALES CONSULTANT**
  **Company:** Techs To Suit
  **Job profile:** Ideal candidates will have strong systems sales and support backgrounds, covering some of the following technologies: VoIP, networking, wireless
  **Experience:** 1-3 years
  **Location:** Delhi & Noida
  **Job Code: CJ178291**

- **SAP CONSULTANTS**
  **Company:** Exclusive Search
  **Job profile:** Candidates with SAP experience in following modules: BW, Basis, XI, EP, MM, FICO, PP, MM, AFS, APO, Abab, SD
  **Experience:** 2+ years
  **Location:** Bangalore, Chennai & Pune
  **E-mail:** yuvaraju@exclsivesearch.com
  **Job Code: CJ179489**

- **QA ENGINEER**
  **Company:** Ekartha (I) Pvt. Ltd.
  **Job profile:** Will be responsible for ensuring that Ekarthas software meets stringent quality standards. Will develop test plans and test scripts for the software, including black box and performance testing
  **Experience:** 2-8 years
  **Location:** Pune
  **E-mail:** jobs@ekartha.com
  **Job Code: CJ136258**

- **TECHNICAL WRITER**
  **Company:** Client of Mangalam
  **Job profile:** Should have experience in Robohelp, framemaker, MS Office, SnagIt or any other image capturing and image editing tool, Microsoft Vision
  **Experience:** 3-5 years
  **Location:** Pune & Nagpur
  **E-mail:** noopur@mangalamjobs.com
  **Job Code: CJ178992**

- **QE SERVER SIDE TESTER**
  **Company:** Client of Mangalam
  **Job profile:** Should have hands-on experience in software testing on server side with test cases execution, automating test cases using Perl/Shell Scripting
  **Experience:** 3-7 years
  **Location:** Pune & Nagpur
  **E-mail:** moitri@mangalamjobs.com
  **Job Code: CJ179314**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# JOBS IN MANUFACTURING & ENGINEERING

- **MANAGER/SENIOR ENGINEER - CIVIL DESIGN**
  **Company:** Myniche jobs
  **Job profile:** Should have experience in civil/ structural design for power/process/industrial structures. Should be good at STAAD civil & steel structural design. Age below 40 years
  **Experience:** 5-12 years
  **Location:** Chennai
  **E-mail:** bank@nichejobs.in
  **Job Code: CJ172502**

- **OFFICER COMMERCIAL**
  **Company:** Vtech Vision Services
  **Job Profile:** Would be responsible for all wireless network maintenance activities of the group, right from procurement of tools, test equipment and resource to grooming and deployment of engineers
  **Experience:** 2-5 years
  **Location:** Mumbai
  **E-mail:** hr.vtvs@gmail.com
  **Job Code:** CJ179419

- **AUTOCAD PROFESSIONALS**
  **Company:** Deegit Inc India
  **Job profile:** Candidates with good experience in civil engineering, architectural and structural design and should have interest in learning GIS
  **Experience:** 1-2 years
  **Location:** Pune
  **E-mail:** Shirisha@deegit.com
  **Job Code: CJ178933**

- **FIRE AND SAFETY ENGINEER**
  **Company:** Wintek Technology (India) Pvt. Ltd.
  **Job profile:** Responsible for fire protection service supervision, fire work under construction, safety inspection, defect improvement, fire protection job training, good communication skills
  **Experience:** 0-10 years
  **Location:** Chennai
  **E-mail:** nafsiakhalid@wintek.in
  **Job Code: CJ179319**

- **SENIOR MANAGER-PRODUCTION**
  **Company:** Vi-son
  **Job profile:** Should be a computer literate with excellent communication skills having knowledge of handling a team of skilled staff. Should have also excellent interpretation skills
  **Experience:** 8-12 years
  **Location:** Dadra & Nagar Haveli
  **E-mail:** nvkushte@vi-son.com
  **Job Code: CJ179325**

- **HYDRAULICS TESTING ENGINEER**
  **Company:** Askexim Services Private Limited
  **Job profile:** Should have experience in carrying out hydraulic equipment testing & measurements, electromagnetic equipments, hydraulic simulation tools
  **Experience:** 1-3 years
  **Location:** Bangalore
  **Email:** Boschteam@askexim.in
  **Job Code: CJ163968**

- **PACKAGING MACHINE DESIGNERS**
  **Company:** Askexim Services Private Limited
  **Job profile:** Should be able to handle design of packaging machinery and confectionery equipment independently using Solid Works 2005. Should be able to design hydraulic and pneumatic circuits
  **Experience:** 3-5 years
  **Location:** Panaji
  **Email:** Boschteam@askexim.in
  **Job Code: CJ163983**

- **CNC MILLING OPERATORS**
  **Company:** Corporate Consultancy Services
  **Job profile:** Experience in aerospace or manufacturing is preferred, production, automobile or tool and die-making
  **Experience:** 3-5 years
  **Location:** Bangalore
  **E-mail:** rk@ccspl.net
  **Job Code: CJ156782**

- **DESIGN ENGINEER**
  **Company:** Vaze Placement Services
  **Job profile:** Experience in engineering fabrication, AutoCAD, Solid Edge who can assist and lead design department with his talent and produce positive reports
  **Experience:** 5-6 years
  **Location:** Pune
  **E-mail:** vazeplace@youtele.com
  **Job Code: CJ178940**

- **ENGINEER - MANUFACTURING**
  **Company:** mynichejobs
  **Job profile:** Should be familiar with CNC machines, welding techniques, cutting machines and testing activities
  **Experience:** 3-8 years
  **Location:** Chennai
  **E-mail:** bank@nichejobs.in
  **Job Code: CJ178794**

- **TOOLING ENGINEER**
  **Company:** Aspire HR Solutions
  **Job profile:** The candidate should be diploma in mechanical engineering, must be good with all tool room work
  **Experience:** 1-3 years
  **Location:** Bangalore
  **E-mail:** aspire.management@gmail.com
  **Job Code: CJ178806**

- **ITI - WORKMEN**
  **Company:** mynichejobs
  **Job profile:** Workmen in welding, fitter, electrical and maintenance
  **Experience:** 1-3 years
  **Location:** Chennai
  **E-mail:** bank@nichejobs.in
  **Job Code: CJ178821**

- **ITI - (TOOL & DIE MAKING)**
  **Company:** Karier Kansultants
  **Job profile:** Responsible in assisting mechanical maintenance activities of various machines, tool & die repairing and maintenance, assisting automation, development of new products
  **Experience:** 1-3 years
  **Location:** Pune
  **E-mail:** karier_kansultants@rediffmail.com
  **Job Code: CJ171823**

- **PRODUCTION SUPERVISOR**
  **Company:** Karier Kansultants
  **Job profile:** Responsible for daily production planning & execution, training the technicians, maintaining shop floor discipline, good leadership qualities, welding & hydraulic press operation
  **Experience:** 2-5 years
  **Location:** Pune
  **E-mail:** futurejobs_kk@rediffmail.com
  **Job Code: CJ170911**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# JOBS IN MARKETING & COMMUNICATIONS

- **ONLINE NEWS REPORTER**
  **Company:** E Source Global
  **Job profile:** Should have worked as a news reporter with B2B mainstream publications for atleast 2+ years & has a good working knowledge in online media
  **Experience:** 2 years
  **Location:** Mumbai
  **E-mail:** jennifer@esourceglobalhr.com
  **Job Code: CJ179512**

- **NEWS EDITOR**
  **Company:** E Source Global
  **Job Profile:** Should have excellent business writing, data interpretation, qualitative & quantitative analysis skills. Experience of reporting news or managing a team of reporters for online media will be a plus
  **Experience:** 4+ years
  **Location:** Mumbai
  **E-mail:** jennifer@esourceglobalhr.com
  **Job Code: CJ178621**

- **MANAGER-MEDIA SALES**
  **Company:** Consim Info Pvt. Ltd.
  **Job Profile:** Will be responsible for selling promotional spaces in high footfall locations and generate revenue, contracts with the corporate and media buying/event management agencies
  **Experience:** 3-5 years
  **Location:** Chennai
  **E-mail:** careerpath@consim.com
  **Job Code: CJ178652**

- **MANAGER -PRODUCT**
  **Company:** Consim Info Pvt. Ltd.
  **Job Profile:** Strong on defining and delivering online products, working closely with multi-disciplinary teams like marketing, QA and UI design teams to drive product definition and development from FMCG/services/dot com domains
  **Experience:** 5-7 years
  **Location:** Chennai
  **E-mail:** careerpath@consim.com
  **Job Code: CJ178641**

- **TELEMARKETING OFFICERS**
  **Company:** Toyota Lakozy Auto Pvt. Ltd.
  **Job profile:** Handle customers over phone, try finding their response, their experience of owning a Toyota vehicle, follow-up for any enquiries, etc. Able to handle customers queries, post-sales follow-up calls
  **Experience:** 1-3 years
  **Location:** Mumbai
  **E-mail:** hr@toyotalakozy.com
  **Job Code: CJ168771**

- **MARKETING MANAGER**
  **Company:** Hitech Placements
  **Job profile:** A hard core front-end marketing person having worked as Asst. Manager level, good in computers & communication
  **Experience:** 10-15 years
  **Location:** Mumbai & Ahmedabad
  **E-mail:** regency.jobs@hitechmanpower.com
  **Job Code: CJ179334**

- **MARKETING EXECUTIVE**
  **Company:** HR4NATION
  **Job profile:** Will be responsible for increasing the revenue of the business unit
  **Experience:** 0-4 years
  **Location:** Chennai
  **E-mail:** hr4nation.resumes@gmail.com
  **Job Code: CJ156182**

- **SENIOR EXECUTIVE - OUTDOOR ADVERTISING**
  **Company:** Needs & Solutions
  **Job profile:** The incumbent will be required to meet various advertisers and ad agencies who require to put up hoardings in North India
  **Experience:** 2-8 years
  **Location:** Delhi
  **E-mail:** jobs@needsmail.com
  **Job Code: CJ179016**

- **INSURANCE MARKETING**
  **Company:** Vertex Enterprises
  **Job profile:** Have to achieve target through effective utilisation of resources, help team members to achieve their targets
  **Experience:** 1-3 years
  **Location:** Bangalore
  **E-mail:** sibanand.vertex@gmail.com
  **Job Code: CJ178028**

- **PRODUCT MARKETING**
  **Company:** Ramky Enviro Engineers Ltd.
  **Job profile:** Develop markets for organic manure, educate the farming community on the benefits of use of organic manures for better yeild and long term profits, create brand image for Ramky products
  **Experience:** 3-5 years
  **Location:** Hyderabad, Bangalore & Chennai
  **E-mail:** msureshkumar@ramky.com
  **Job Code: CJ165567**

- **MARKETING EXECUTIVES - FERTILISERS & AGRI PRODUCTS**
  **Company:** Ramky Enviro Engineers Ltd.
  **Job profile:** Should visit rural agriculture markets, develop marketing and sales strategies for organic fertiliser products, interact with farmers and farming community to educate and increase organic fertiliser consumption
  **Experience:** 2-5 years
  **Location:** Chennai, Hyderabad & Bangalore
  **E-mail:** msureshkumar@ramky.com
  **Job Code: CJ166800**

- **FINANCE MARKETING EXECUTIVES**
  **Company:** Needs & Solutions
  **Job profile:** Should have good knowledge in finance sector with courage in accepting challenges
  **Experience:** 0-3 years
  **Location:** Bangalore
  **E-mail:** jobs@needsmail.com
  **Job Code: CJ118934**

- **DY. MANAGER- MARKETING**
  **Company:** Needs & Solutions
  **Job profile:** The candidate will preferablly be a go-getter and will have experience in the sales of capital goods
  **Experience:** 6-9 years
  **Location:** Bangalore & Mysore
  **E-mail:** jobs@needsmail.com
  **Job Code: CJ118540**

- **MARKETING MANAGER (DOMESTIC) - BULK DRUGS**
  **Company:** Ideal Placement & Consultants (P) Ltd.
  **Job profile:** Should have minimum 7 to 8 years of experience in pharma and 2 years of experience as marketing manager in marketing bulk drugs
  **Experience:** 10+ years
  **Location:** Hyderabad
  **E-mail:** hr.adm3@idealconsultants.com
  **Job Code: CJ179018**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# unrealistic

## Collateral-free Credit for Micro and Small Enterprises.

**Be it start ups, expansion plans, technology upgradation, working capital requirements or diversification, all you need is a feasible business plan and you could fund your enterprise up to Rs. 50 lakh. *Ask your local bank today**. It's a small step towards growing big.**

**For more details log on to: www.cgtmse.in**
**Contact: 022-2654 1803/4/7**

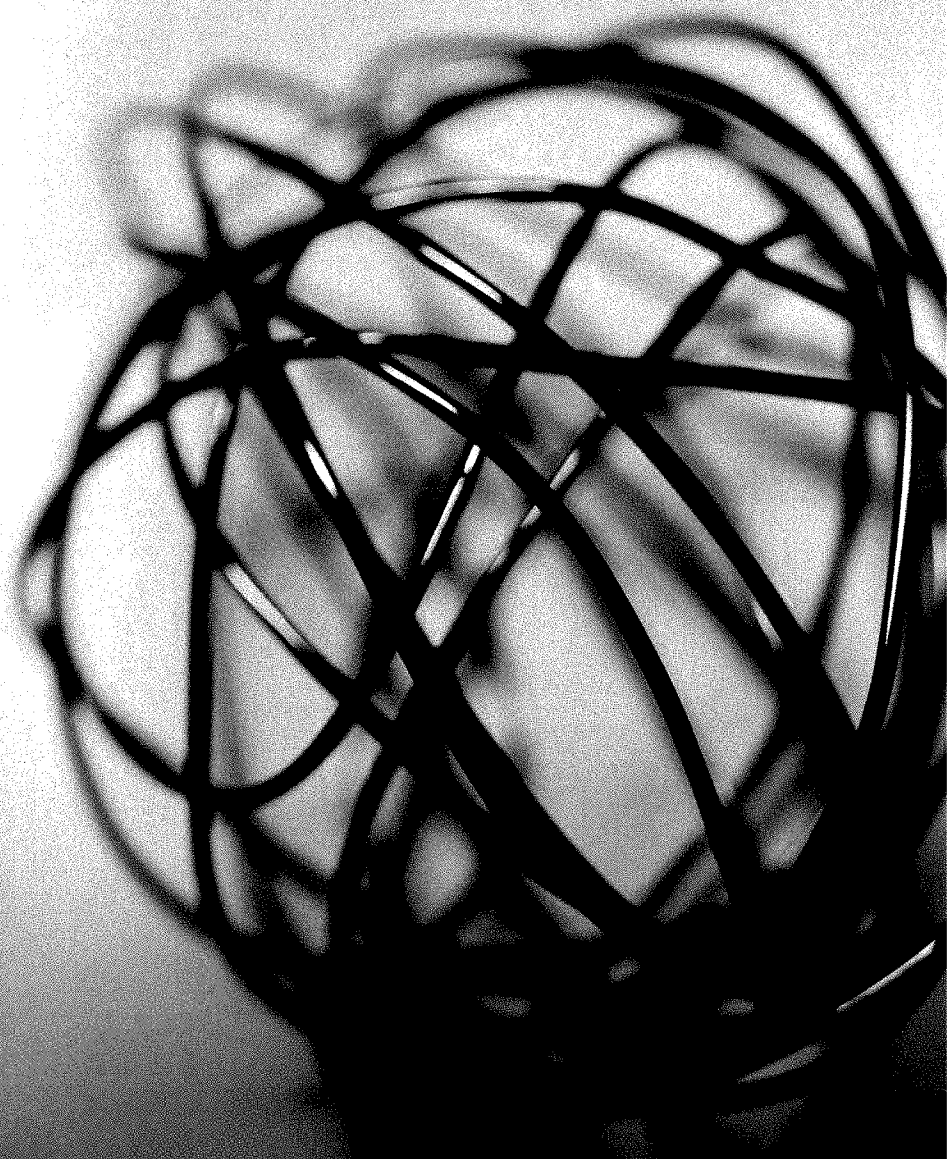
CGTMSE

सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट
(भारत सरकार एवं सिडबी द्वारा स्थापित)
Credit Guarantee Fund Trust
For Micro & Small Enterprises
( Set up by Govt. of India & SIDBI )

*Member Lending Institutions of CGTMSE:
Allahabad Bank, Andhra Bank, Andhra Pragathi GB, Bank of Baroda, Axis Bank Ltd, Bank of India, Bank of Maharashtra, Baroda Eastern Uttar Pradesh GB, Canara Bank, Central Bank of India, Chaitanya Godavari GB, Chikmagalur-Kodagu GB, Corporation Bank, Dena Bank, Durg Rajnandgaon GB, Haryana GB, HDFC Bank Ltd., ICICI Bank Ltd., IDBI Limited, Indian Bank, Indian Overseas Bank, IndusInd Bank Ltd., ING Vysya Bank Ltd., Karnataka Bank Ltd., Karnataka Vikas GB, Kotak Mahindra Bank Ltd., Nainital – Almora Kshetriya GB, NSIC Ltd., NEDFi Ltd., Oriental Bank of Commerce, Pragathi GB, Prathama Bank, Punjab & Sind Bank, Punjab National Bank, Purvanchal GB, Saptagiri GB, SIDBI, South Malabar GB, State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of India, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra, State Bank of Travancore, Syndicate Bank, Tamilnad Mercantile Bank Ltd., The Bank of Rajasthan Ltd., The Federal Bank Ltd., The Jammu & Kashmir Bank Ltd., The Nainital Bank Ltd., The South Indian Bank Ltd., UCO Bank, Union Bank of India, United Bank of India, Vijaya Bank.

# Every week, we make cables that can go eighteen times around the globe.

What started off in 1902, with a humble ambition of providing industrial wire products, has today become a corporation that has over USD 2.1 billion in sales per annum. With it comes natural leadership in Networking, Broadcast, Telecom, Automation and Audio-Video, covering all signal transmissions. Today, we have operations in all corners of the globe. Expectedly, now in India, we'll yet again push the competition into a corner.



**Enterprise Networking**
**Industrial Automation**
**AV & Broadcast**
**Transportation & Defence**

**Belden India Pvt. Ltd.**
Tel: +91 124 450 9999
Fax: +91 124 450 9900
E-mail: india.sales@belden.com

**BELDEN**
SENDING ALL THE RIGHT SIGNALS

INFORMATION TECHNOLOGY

# It's All In The Cloud

**Cloud computing could redefine computer technology as we know it**

KISHORE DAS

IN THE INFORMATION TECHNOLOGY (IT) WORLD, ideas, fashions and buzzwords long predate the real thing. For a long time, IT pundits visualised a world where the network is a giant computer, accessible cheaply by people hungry for computing power. Such things happen only in an ideal world, however. In the real world, there have been several attempts to get as close to the concept as possible: client server, grid computing, utility computing... Now, a new buzzword — cloud computing — is doing the rounds, which seems to go farther than all its predecessors.

Cloud computing, loosely stated, is an attempt to harness the power of public networks — the cloud — for everyday computing. Stripped of jargon, what it means is that computing will slowly shift from personal computers into the network: hardly a new idea, but powerful when implemented. Your data will remain in servers connected to a public network. So will your applications, your documents, your software, your pictures, videos... Your sensitive data will also be in publicly-linked servers. If you can keep your money in the bank, why can't you migrate your data into the network?

Many IT biggies are already drawn to the idea, and offer various kinds of cloud computing services. Last week, IBM opened what it calls Europe's first cloud-computing infrastructure. In one of its first projects, 18,000 consultants in the firm Cogenti, the IT services arm of Capgemini, will use this cloud to network and brainstorm. Cogenti wants to increase the contribution margin of these consultants to the company, and it will use both the infrastructure of the cloud as well as IBM's brains trust. A few months ago, IBM had opened another cloud-computing centre in China. "China wants to create two million software engineers in two years," says Willy Chiu, Vice-President of IBM. The cloud is their breeding centre.

A year ago, Amazon had allowed its customers to use its computing infrastructure for a fee. In November, Yahoo! allowed scientists at the Carnegie Melon University to use its computer network. Google, the undisputed behemoth of the cloud computing universe, parks most of its computing — and that of its customers — in a giant cloud. It had unveiled a new Web service as part of its Google Apps brand. The latest version, Team Edition, lets online work groups collaborate on documents, calendars and presentations. Even Microsoft is slowly admitting the rise of cloud computing and

COURTESY: IBM

**BIG BLUE CLOUDS:** Last week, IBM opened Europe's first cloud-computing infrastructure

allows university professors access to its servers. Its Office Live, the online version of Microsoft Office, is a cloud-computing initiative. Says Paul Maritz, a former senior executive of Microsoft, who now heads EMC's newly formed Cloud Infrastructure and Services Division, "People are now looking for a relationship with their entire body of information without being held hostage to a particular device or application."

Cloud computing is different from two other similar concepts: grid computing and utility computing. A grid is a loosely connected network of computers with multiple administrative domains. It is generally used to solve high-intensive computation problems, such as climate simulation or protein modelling in life sciences. Utility computing, also called on-demand computing, is a metered offering of computing resources, including software applications. A cloud, on the other hand, is a massive aggregate of centrally accessible machines. It is a collection of servers, but is different from data centres in being automated. It allocates its resources dynamically. It uses virtualisation, the art of using one piece of hardware as several.

Computing in a cloud necessitates data that would have traditionally stayed on your PC to move to a cloud provider's data centre. This also gives birth to critical issues, such as security of data in such a public domain and questions of ownership. Parallels have been drawn between cloud computing and the rise of banking. Experts claim, with cloud computing, we are at a point similar to when people started realising that their money was safer in a bank than under their mattress. In a cloud, the traditional concept of physical ownership takes a backseat. Here the service provider 'guarantees' you a certain level of service. But having said that, security is of paramount concern and that will play a major role in aiding adoption of this technology.

The cloud is considered to be a perfect fit for small- and medium-sized businesses, for whom this could be the ideal solution wherein they get the benefits of a model that is a cross between on-demand computing and software-as-a-service (SaaS), even as they make significant cost savings. Businesses can afford to offload their IT needs to the service provider of the cloud while pooling their resources and time towards focusing on their core business tasks. The possibility of large enterprises and businesses moving completely onto a cloud is remote, though. The potential exists of the split becoming 70-30 in favour of the cloud, but organisations will retain mission critical applications in-house for a variety of security and business reasons.

But there are many technical challenges to be dealt with before someone can offer a proper service. First off, companies will have to standardise the way you contract applications. Also, more thought needs to go into the kind of user interfaces provided to end customers. More importantly, the types of management tools to apply in such an environment will have to be worked out. Plus, there will be a new family of applications that will be created to cater to people in the clouds. The first ones to be developed will include those related to social networking, mashups (a Web application that integrates data from multiple sources), etc. Traditional concepts of computing and applications will also undergo substantial change.

Despite all this, cloud computing could redefine computer technology as we know it and give way to some innovative concepts of computing. It could evolve enough to transform computing into an anticipatory action rather than a reactionary one. For instance, the cloud will learn to search for particular customers keeping in mind their needs rather than waiting for the person to search within the wide volume of data accumulated by them. This means, devices of today will have to undergo a paradigm change and become smarter and intuitive. "Search will become intuitive and organised and almost human-like," says Maritz, "There will be no file system in the cloud. Instead the system will learn to research information about information. It will learn to understand the subtle connections between different kinds of information, cross reference it and retrieve it as per the need."

*Dhanya Krishnakuma*
With inputs from P. Hari in San Francisc
*dhanya.krishnakumar@abp.i*

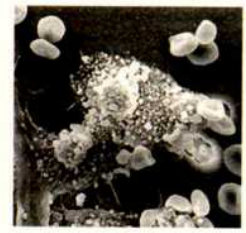
# SCIENCE BUZZ The fortnightly update on innovations and tech policies

## Cloning May Cure Parkinson's

Therapeutic cloning now promises cures for many diseases. Scientists at the Sloan-Kettering Institute in New York have made the first breakthrough by treating Parkinson's disease in mice through cloning. DNA from the skin cells of a diseased mouse was put into the eggs of another mouse from which the scientists had removed the DNA. The resulting cells grew a bit, and were put into the brain of the diseased mouse, which showed tremendous improvement. This is the first time someone has shown that cells from a sick animal can be used to treat diseases of the same animal.

## Detecting Cancer

Magnetic Resonance Imaging (MRI) and Positron Emission Tomography (PET) have both revolutionised medical diagnostics in recent years. MRI shows structural details, and PET shows functional details such as flow of nutrients. Now, scientists at the University of Tubingen in Germany have developed a combo machine that sees deep inside tissues providing both structural and functional details. This is supposed to help detect cancers very early as well as help in scientific research. Scientists at the University of California in Davis, US have also developed a similar machine.

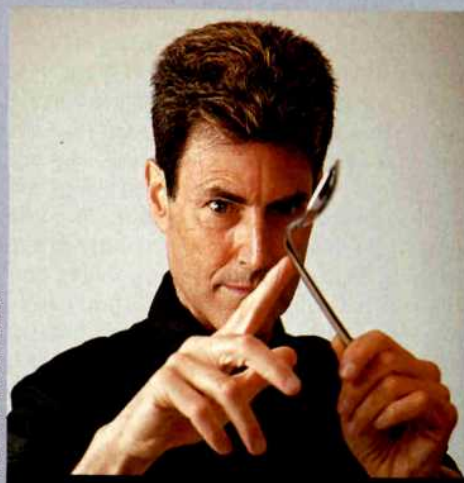


## Wine Industry Feels The Heat

Climate change is expected to affect many industries in the long run, but the wine industry could be one of the early casualties. Australian wine makers are already being affected by droughts and scarcity of irrigation water, according to the *Scientific American*. Grape growers in the three largest grape-growing regions in Australia say that they may not survive this year's harvest. The main reason: a three-fold increase in the cost of water. Industry observers say that 1,000 out of 7,000 grape growers may quit this year. An early warning sign for grape growers all over the world.

# HOW THINGS WILL WORK

## A Voice For The Voiceless



COURTESY: URI-GELLER.COM

MINDBENDING Converting nerve signals to speech is neither science-fiction nor magic like that of Uri Geller's

IN THE FIRST WEEK OF THIS MONTH, A young former scientist from the University of Illinois left viewers speechless at a conference. The venue was the Texas Instruments Developer Conference in Dallas, and the scientist was Michael Callahan. He now heads a company called Ambient Corporation in Champaign in Illinois. Callahan was demonstrating what most people would think impossible: a device that could pick up your attempts at speech. An attempt at speech is going through your speech word by word without actually saying it. A sensor worn around his neck picked up his speech-thoughts and produced his voice.

This device, called Audeo, picks up the signals from your nerve that connects the brain with the speech organs. The immediate application of this device is obvious: those who have speech defects can use it to communicate well, almost flawlessly. People, such as Stephen Hawking, who suffers from Amyotropic Laterla Sclerosis (a disease of the nervous system in which the patient gradually loses control of muscles, and thus the ability to speak), would be among the first beneficiaries.

Callahan demonstrated another fascinating possibility, that of speech in silence. He made a phone call without speaking.

The first device would be available by the end of this year. However, this is only the beginning. In the future, scientists and engineers would learn to pick up signals directly from your brain. As Callahan himself said, if you just think about something (a bus stop, for example), the device will search and find it for you. We leave the rest to your imagination.

INTERNET

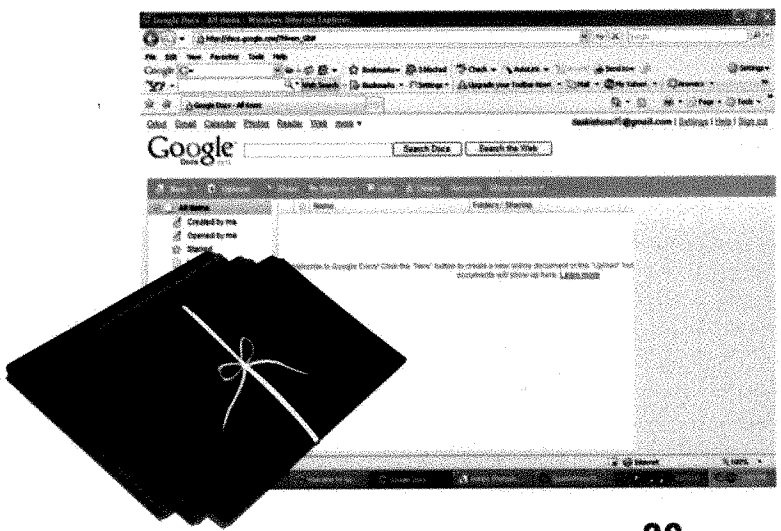
# Share-happy

**The online file-sharing market is witnessing more start-ups than ever**

START-UPS ARE SO common in the Silicon Valley that no one notices them anymore. That is, of course, only until they really achieve something. Yet the three-month-old start-up Dropbox received attention, so much so that its first screencast — on the beta launch of its software product — was purportedly watched by 200,000 people.

Within two weeks, about 2,000 people have downloaded the product, and 75,000 are supposedly on the waiting list. Such is the interest for online file sharing software.

Dropbox was started three months ago by two MIT dropouts: Drew Houston and Arash Ferdouwsi. They work out of a studio apartment in San Francisco, in a complex shared by several other such start-ups. Their product, Dropbox, lets you share files online with anybody of your choice. This sounds simple, but so far no one has worked out a perfect way to share files online. There are several options, including those from the omnipresent Microsoft and Apple, but there was still room for start-ups. Dropbox was funded by Y Combinator, a venture firm that specialises in early-stage technology companies. "We were frustrated when at MIT because we could not share files online well enough," says Houston.




About three years ago, Aaron Levie had shared a similar sentiment as a student at the University of Southern California. "There were many different devices on campus," says Levie, "and we had to access files using all of them." A common way of sharing files then was — and still is, for many people — to send e-mails to each other with the files attached. Levie had then started Box.net, again in the Silicon Valley. This company now has reportedly a user base of 1.4 million people across the world, with different versions and plans for individual and business users.

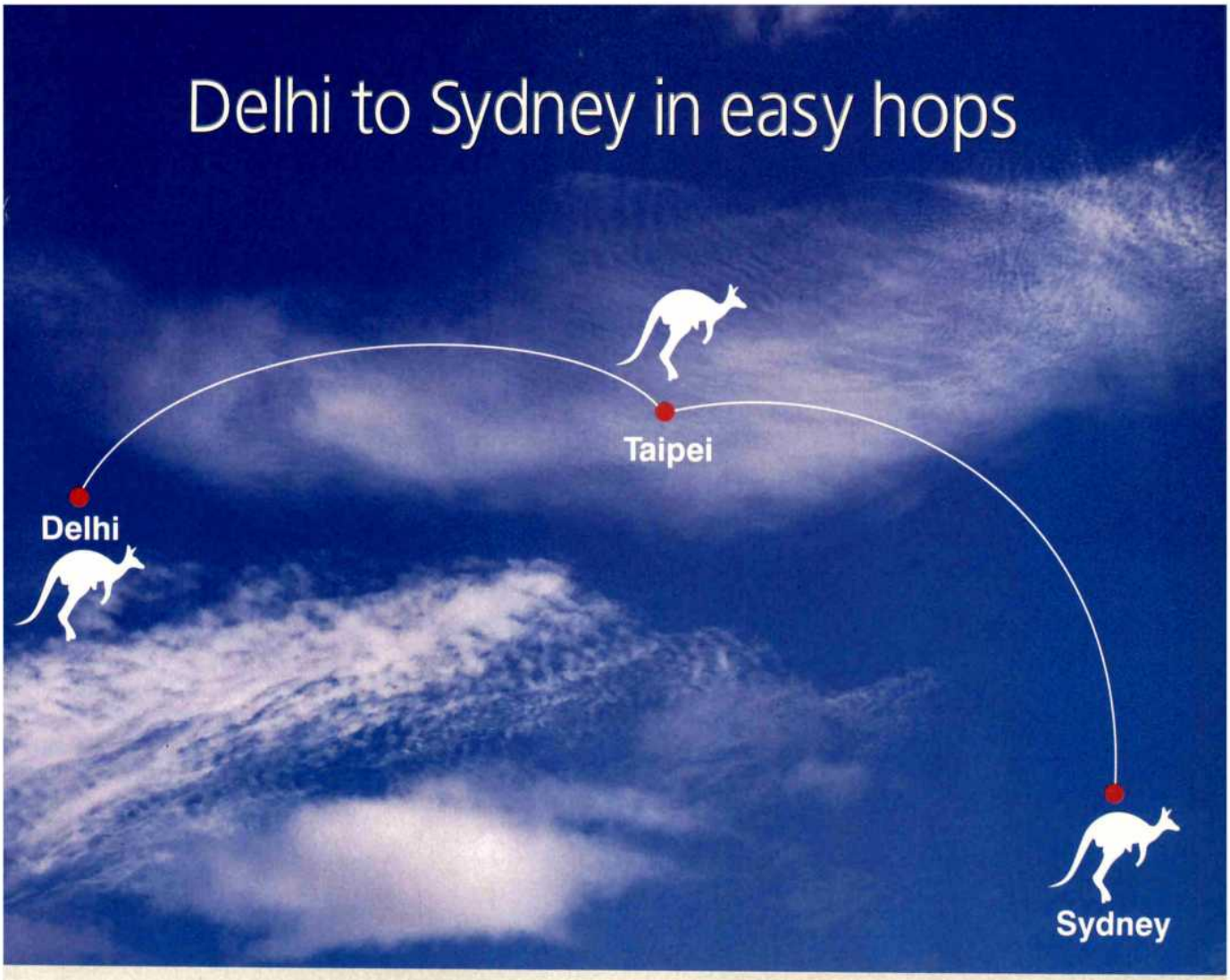
Soon after the launch of Box.net, Microsoft had bought at that time a three-year-old start-up, Foldershare, which last week launched its first new version after the acquisition.

Each of these three products works slightly differently. All of them let you access your files from anywhere. Foldershare works best when you have to share files between two computers that are online. Dropbox and Box.net also let you store your files online, an increasingly common requirement in the era of cloud computing (see 'It's All In The Clouds' on page 89). In the case of Box.net, you have to upload new versions of files on your own, while in Dropbox the changes are picked up automatically. In both cases, the file size is not a problem. For example, a movie producer can use the facility to share entire movies with his colleagues.

The business models of the two companies also differ slightly. Dropbox is not available for commercial use as yet, but the company will charge a fee for using it when it becomes available within the next three months. Box.net is available free for basic use, but charges when the total size of the files exceeds 1 gigabyte. There will other companies too in the market in the future. Pi Worx, a company based in Seattle, is developing a software product — now in its beta version — that will morph into a service next year. It would let you store, back-up and share files online. As cloud computing becomes more and more popular, online storage and file sharing would become the norm. The practice of keeping files as email attachments is fast becoming superfluous.

*P. Hari in San Francisco*

# Delhi to Sydney in easy hops



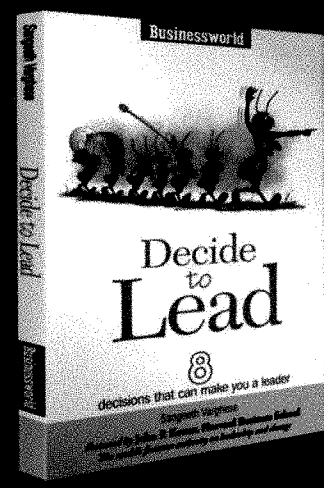

Now fly Delhi to Sydney via Taipei on China Airlines five times a week. With one of the youngest fleets in the world and the most silent cabin in the sky it's the finest flying experience that today's traveller can look forward to. Add to that afternoon departures, personalized seat designs, award-winning on board service, delectable Indian & Oriental cuisines, Bollywood hits, and you'll agree it is the way to arrive. Besides Sydney, China Airlines also offers the best connections to Los Angeles, San Francisco, Seattle and Vancouver.

CHINA AIRLINES

***The Leading Carrier from Taiwan***

China Airlines Offices: Delhi: 011-23327131, Mumbai: 022-26817551 Jalandhar: 0181-2233125, Chandigarh: 0172-2746173, Chennai: 044-43009195
Contact your nearest travel agent or visit our website: www.chinaairlinesindia.com

# NINE DECISIONS CAN MAKE YOU A LEADER. THE FIRST ONE IS TO BUY THIS BOOK.




## By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order of "Businessworld Decide to Lead", fill this form & mail it to us:**

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ 5 copies for Rs. 1795/- (10% bulk discount)

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.

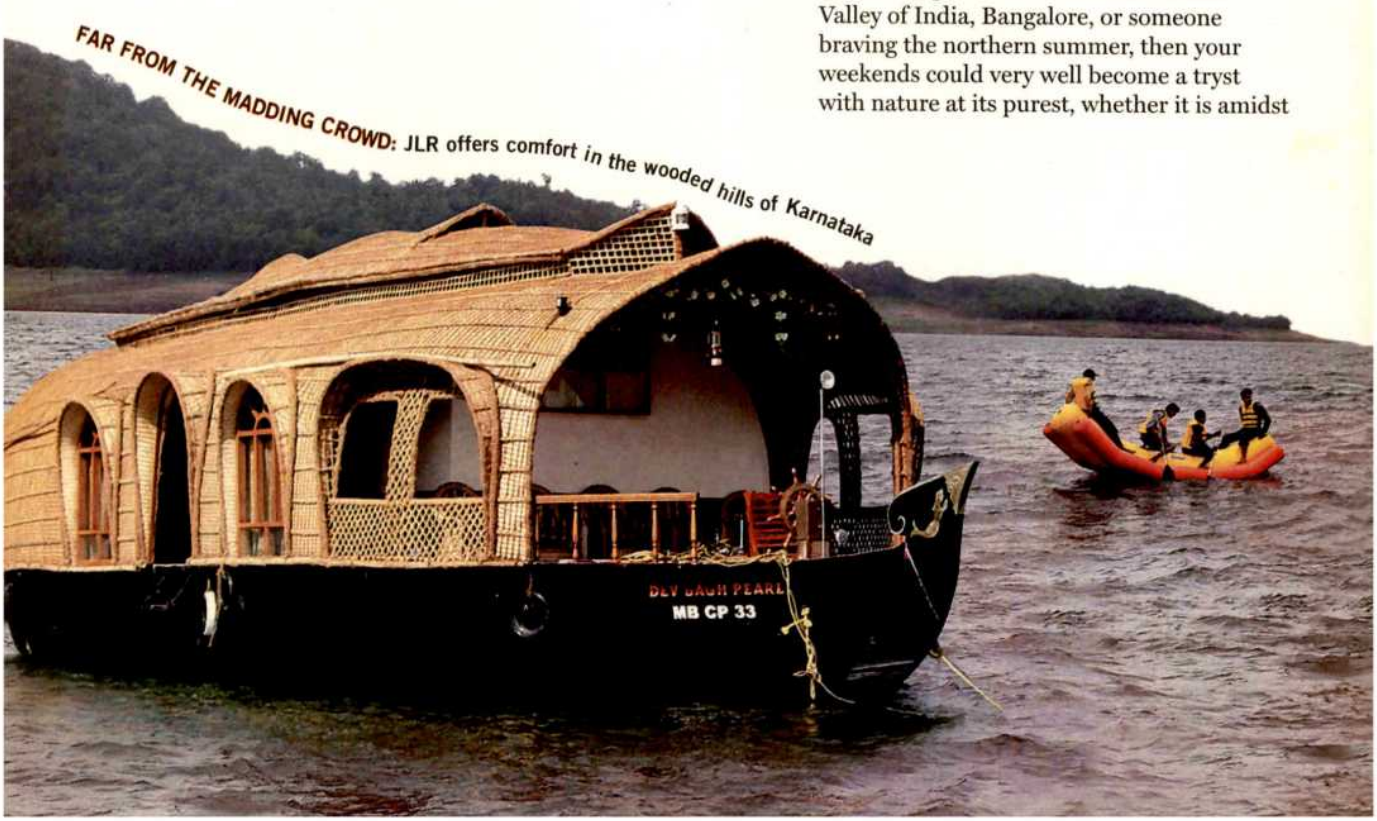
TOURISM

# Back to nature

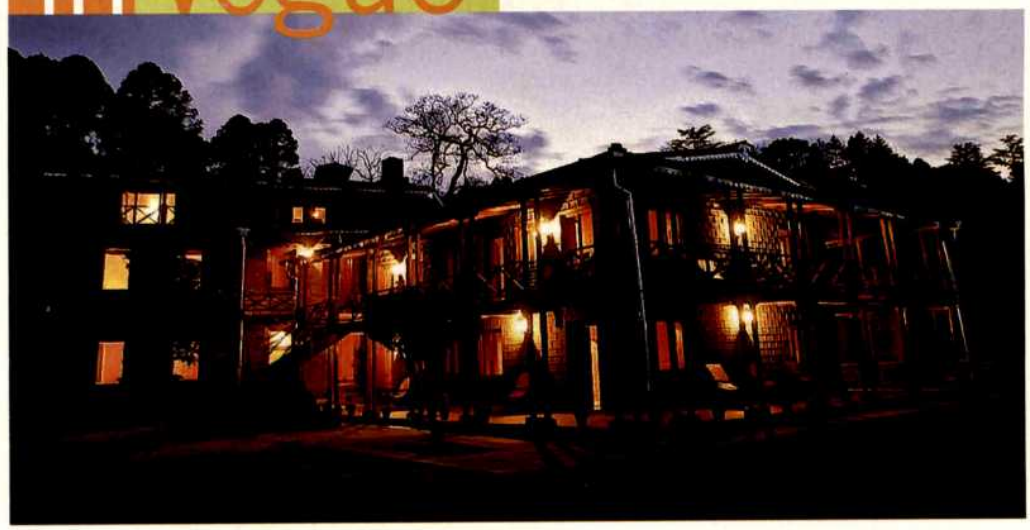
**Wondering how you can do your bit for the environment? Eco-tourism is one likely answer**

FOR THOSE OF US WHO LIVE IN CONCRETE jungles, the environment has come to mean enclosed private spaces, machine-facilitated chores and recreation, and clock-determined behaviour. Yet, even in this Matrix-like existence, the urge to reconnect with nature and its many wonders remains strong, even if for small intervals. It's no surprise, therefore, that eco-tourism — to experience, enjoy and sustain nature and non-urban communities — is rising to the top of the holiday priorities of a lot of people.

With natural forests and a healthy population of exotic (read: endangered) flora and fauna, several resorts and tourism destinations in the country are slowly replacing fancy 5-star hotels as places to unwind in. For instance, if you are amongst the teeming IT workforce in the Silicon Valley of India, Bangalore, or someone braving the northern summer, then your weekends could very well become a tryst with nature at its purest, whether it is amidst




**FAR FROM THE MADDING CROWD:** JLR offers comfort in the wooded hills of Karnataka



**AFTER SUNSET:** Eco-lodges, such as Chevron in Kausani, use natural and reusable materials

the forests of Karnataka or the cool of the sub-Himalayan hills.

Bangalore is slowly transforming into a hub for eco-tourism with several such destinations cropping up on all sides of the city. Spread over thousands of square kilometres of wooded hills, shrubby plains, and interspersed with rivers and lakes, this area is managed by Jungle Lodges and Resorts (JLR), the eco-tourism arm of the Karnataka State Tourism Department.

"Our resorts give people a chance to unwind in the midst of nature," says N.D. Tiwari, managing director of JLR, "In the process, we educate them about the growing need to conserve and protect our natural resources and wildlife."

But holidaying at JLR is not about watching the grass grow. Jungle treks, fishing, canoeing, rafting, snorkelling and safaris ensure that you don't miss your fix of television or networking. Importantly, to balance the financial support for the venture and the sustenance of nature and habitat for the wildlife, the noisy and polluting jeep safaris are limited to three hours in the morning and two hours in the evening. In places such as Bandipur and Nagarahole National Parks, rangers try to ensure that vehicles do not disturb the serenity of the jungle since that affects the behaviour of wild animals.

JLR's success has got Jammu & Kashmir, Punjab and Orissa interested in developing a similar network of destinations.

Some entrepreneurs are also trying to cater to the growing demand for eco-tourism. There are camel safaris in Rajasthan that give you a flavour of human and wild life in the desert, and there are a growing number of ecology-oriented resorts in the hills of Himachal Pradesh and Uttaranchal.

One such resort is the all-wood Chevron Eco-Lodge off the town of Kausani in Uttaranchal. It does not jut out like an unwelcome intrusion in the surroundings like most hotels in the hills. "While giving a natural look and feel, wood is eco-friendly and reusable," says Shailendra Singh, general manager at Chevron Hotels and Resorts. The interiors are decorated with Kumaoni paintings and the food ingredients are entirely local.

Globally, eco-tourism networks have emerged, such as the Athens-based International Ecotourism Club, which promote tourism to natural areas and encourage responsible tourism.

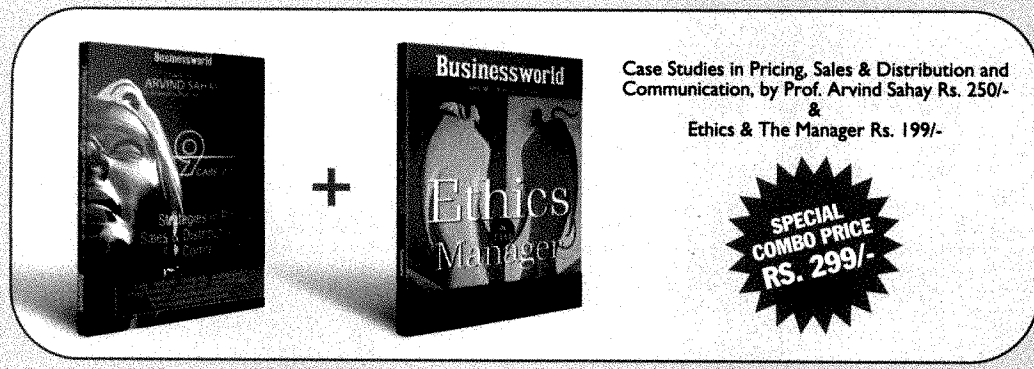
Ironically, the growing popularity of eco-tourism is also leading to spike in construction, consumption and vehicular pollution at such destinations. The way out for the conscientious is to adapt to local conditions and once there, walk more and drive less.

*Dhanya Krishnakumar and Janhavi Abhyankar*

**WAITING FOR YOU:** Jungle retreats are great places to detox your mind

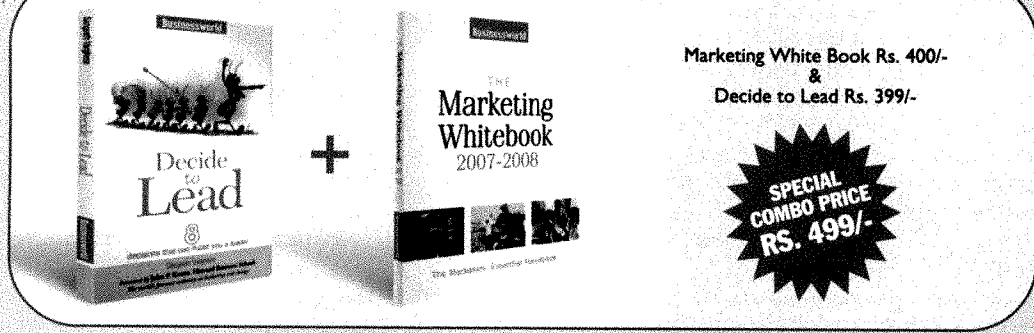
PRESENTING

# NEW YEAR GIFTS THAT MAKE A LOT OF BUSINESS SENSE.




Case Studies in Pricing, Sales & Distribution and Communication, by Prof. Arvind Sahay Rs. 250/-
&
Ethics & The Manager Rs. 199/-

SPECIAL COMBO PRICE RS. 299/-




Marketing White Book Rs. 400/-
&
Decide to Lead Rs. 399/-

SPECIAL COMBO PRICE RS. 499/-

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order, fill this form & mail it to us:**

Name: Mr/Ms. _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

**In case you wish to gift the books, please fill in the following information:**

Name of the recipient _____ Phone no. of the recipient: _____

Address of the recipient: _____

Please tick the desired option: ☐ Case Studies in Pricing, Sales & Distribution and Communication & Ethics & The Manager Rs. 299/- ☐ Marketing White Book & Decide to Lead Rs. 499/-

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. VISA ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐

Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002. Ph: 011-23702170.

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-2496 2601-09; Kolkata: Sandip Biswas, Tel: 033-226 0745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147
Email id: businessworldsubscriptions@abpmail.com.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your order. Any request for cancellation of the order will not be entertained once the books have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only. Offer valid for direct mail order. Offer valid for limited period or till stocks last. Terms & conditions apply.

## Entertainment

### MOVIE COLLECTORS' BLUES

AP

**LESS THAN 10 YEARS after digital video disks (DVDs) revolutionised the movie industry, it's time to say goodbye to those now-green-now-pink disks and their players. Or is it?**

**Sony's Blu-ray disc (BD) has won the war of the new generation formats as Hollywood studios have chosen it over Toshiba's High-definition DVDs (HD-DVDs). Yet, this is not 'The End' for DVD movies. It will be a while before the prices of the $15-20 blu-ray disc and its $450-1,000 player drop by at least a third and become affordable to the masses. Till that happens, it may not matter too much that BDs can store up to 50 GB of data, which is about ten times the capacity of the DVDs. Though BD players can also be connected to the internet to download subtitles, and even movies at some stage, but such features will be available only in the forthcoming version of BD players. Sony Pictures will begin releasing movies made for the new-generation BD players from April starting with *Walk Hard: The Dewey Cox Story* and the Arnold Schwarzenegger thriller *The 6th Day*.**

**Movie collectors, fearing obsolescence of their DVD collections — those who know the pain of moving from video cassettes to CDs and from CDs to DVDs earlier — can take comfort from the fact that their DVDs will run on the new BD players.**

**However, eventually, they may have to shift their rare classics to Blu-ray discs and start budgeting for the next format — Purple-ray, maybe.**

***Puja Mehra***

### INTERIOR DESIGN

## Expat-ready interiors

EXPATS STAY LIGHT. There is no alternative, really, as they move around the world with their families every few years for better pastures. While handling immigration, logistics and real estate have been the traditional services from expat relocation firms, a few have started offering home décor and furniture services, too.

"Our family moved with two children and the décor in their homes made us feel right at home," says Darlene Armijo, who used Global Adjustment to shift base to Chennai from the US last year.

Aware of the transience of their stay, expats tend to prefer décor and furniture that are not too ornate and yet remind them of home. "For them, interiors are all about practicality," says Ranjini Manian, CEO of Global Adjustments.

Naturally, there is not much demand for the teak or rosewood furniture with decorative carvings. In fact, expats are more fussy about garden and terrace furniture, says Manian. Even among colours for interiors, most of them ask for lighter shades. The east Asian expats seek added features such as an icon of Buddha in a prominent place, water fountains and bamboo arrangements.

*M. Allirajan*

**TEMP INTERIORS: Expats prefer practical and emotionally-neutral furniture and décor**

**The waves are lovely again: Tourism and surfing are back at the Aceh coast in Indonesia, three years after tsunami devastated the area**

AP

HEALTH

# Hop, skip and jump

BAD TIMES IN THE US and the dance 'Lindy-Hop' seem to be linked. This Afro-American dance, named after aviator Charles Lindbergh — who 'hopped' the Atlantic in a plane — began in Harlem, New York during the Great Depression era. Its popularity waned when Rock 'n' Roll arrived in the 1950s. Five decades later, it is seeing a revival. Interestingly, it has happened when the markets are down. In fact, it has found its way to the gyms in Mumbai. This swing dance has caught the attention of a few CEOs and their executives. They are doing the hop, not only to keep in shape, but also to have some fun during bearish times.

The hop has fast-paced feet movements and is mostly a mix of many other dances. "Everything in the hop is about improvisation," says Tim Collins, an instructor from the US who has brought the dance to Mumbai.

"Lessons such as Lindy Hop take the monotony out of exercise," says Nishad Ohri, the owner of a gym in Mumbai.

Dance classes, have become part of most gyms in India. In Mumbai, 12 dance sessions could cost over Rs 2,000. "I send my kids dancing while I work out at the gym," says Rajesh Kapoor, Director of ARGH Properties in Mumbai. "I put them to dance because kids stick to TV. They should be having fun instead."

So, even as the markets gyrate out of shape, you may dance away to a healthier, happier self.

*Vishal Krishna*

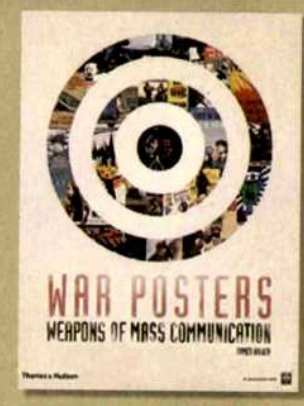
**LINDY HOP:** A dance to shake off your blues, and flab too

BON VIVANT

# A new flavour

COFFEE TABLE BOOKS ARE NO LONGER JUST shelf decoration items. Of late, such books have been gaining substance, too.

American designer Tommy Hilfiger and graphic designer George Lois' book *Iconic America*, for example, is a pithy document on American pop culture. This collection of 400 images of America's cultural icons through its history is a snapshot of what American ethos is all about — the one-page declaration of Independence, the iPod and the man on the moon, the MTV and the McPaper, the nylon stockings and the Playboy nude.




Another coffee table book released recently is *War Posters: Weapons of Mass Communication*, edited by Aulich James. The book was released concomitantly with the ongoing exhibition of war posters by London's Imperial War Museum. The book contains 250 posters of war propaganda from several countries and from several eras. There are posters of national chest beating and anti-war protests too.

Back home, *The Bandhavgarh Inheritance* by conservationist Bittu Sehgal is an important book. It is timely as tiger population in India has dropped dramatically. Instead of being a sentimental collection of pictures of tigers, it is about ecology and conservation of the wild.

Thankfully, with publishers putting the glossy format to intelligent use, coffee table books seem to be coming of age.

**KHADI COOL:** A practical fabric for work and leisure wear during Indian summer

PHOTOGRAPHS: SANJAY SAKARIA

FASHION

# Executive fabric

**Why suffer in stuffy polyester blends in summer when there is khadi**

CORPORATE EXECUTIVES GO ABOUT THEIR JOBS IN their dark suits, often made with polyester-cotton blends, even in the 40-degree plus heat of the Indian summer. It is hard not to feel sorry for them for being wrapped up in their industrial uniform in such weather. It is also hard not to wonder why they would not wear garments made of better-breathing khadi.

Sadly, khadi, the hand-spun and hand-woven cotton fabric, is looked down upon by the corporate set as the fabric of the politicians and the poor. However, it is also the lack of marketing of khadi as a fabric for formal or fashion wear that is holding it back.

But when trendy designs and elegant colours are applied to khadi, the results are wonderfully rewarding. In fact, leading fashion designers such as Rohit Bal and Sabyasachi Mukherjee have shown khadi to be aesthetically appealing and practically versatile. "Even in formal wear, Khadi-cotton fabric is elegant, understated and classy, and works very well in workplaces where you would want to be very relaxed in your corporate attire," says Mukherjee.

While one can find tasteful khadi shirts and trousers at outlets such as Fabindia, Anokhi, Khadiline and Khadi Bhandar, one can also have them custom stitched.

Khadi suits are, however, rare. Yet, Rohit Bal and Bangladeshi designer Bibi Russell have designed suits using khadi.

Women, however, have not felt as constrained to wear khadi to work as men. Fashion designer Nikasha Tawade, whose khadi kurtis and chunnis are sold by high-end boutiques in Mumbai, says, "World over, hand-woven fabrics are a fashion statement."

However, khadi is not for the lazy — it is a high-maintenance fabric. It crumples easily and requires frequent starching to retain its classy looks.

Importantly, khadi artisans need to get the rich interested in the fabric by adding flair and complications to it.

*Rajesh Gajra*

# Our solutions exceed every expectation. Just anywhere in the world.

Everything about Crompton Greaves is world class. Whether it is manufacturing processes, R&D or QC. Our acquisitions too have given us access to the infrastructure and technology of leaders like Pauwels, Ganz and Microsol. These have made us one of the single largest sources for a variety of electrical solutions.

www.cglonline.com

70 YEARS
At home, across the world.

Crompton Greaves
EVERYDAY SOLUTIONS

Transformers • Switchgear • Power Quality • Motors & Alternators • Drives • Railway Signalling • Fans & Appliances • Lights • Pumps

AMC/CG/10-07/03

# Elisha Gray.

A Quaker from rural Ohio, who applied to patent his working design for the telephone, just a few hours after Alexander Graham Bell.

# Alexander Graham Bell.

You know who.

sinessworld invites entries for the Design Brilliance Awards 2008.
nd in your entries now, or wait till it's too late.

ıe people are always in the right place at the right time. The rest, well, they're called 'the ' for a reason. Precisely why we invite you to send in your entries for the Design Brilliance ırds right away.

›articipate, visit www.businessworld.in and fill up a form on the microsite.

:egories for Design Brilliance Awards 2008

rban town planning • Fashion and lifestyle • Social design including products and services age/film set design, production and cinematography • Digital design • Graphic design • luct design • Furniture design • Transportation and automobile design • Packaging design nimation • New media installation • Green and sustainable design

ecial categories added:

est student concept • Designer of the year • Lifetime Achievement award

ST DATE FOR ACCEPTING ENTRIES EXTENDED TO APRIL 16, 2008 DUE TO GREAT DEMAND.

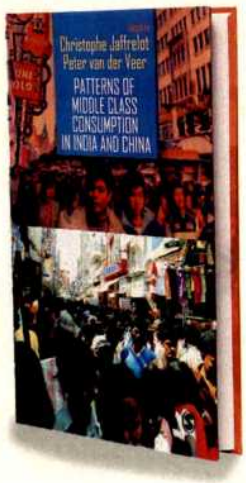
future group
india tomorrow
presents

DESIGN BRILLIANCE AWARDS 2008

Businessworld

राष्ट्रीय डिज़ाइन संस्थान
NATIONAL INSTITUTE OF DESIGN

BATES DAVID ENTERPRISE




# Patriotism Sans Citizenship

by chandan bose

**PATTERNS OF MIDDLE CLASS CONSUMPTION IN INDIA AND CHINA**
**EDITED BY CHRISTOPHER JAFFRELOT AND PETER VAN DER VEER SAGE PUBLICATIONS, PAGES: 300; PRICE: RS 695**

IN *PATTERNS OF MIDDLE CLASS CONSUMPTION IN India and China*, the middle class is viewed as an ideological construct that has become a significant category of social identity because of its hand-in-glove relationship with the market economy. The reader is persuaded to locate consumption patterns in both India and China as a space for negotiation in the tussle between western materialism and eastern spirituality. The 'overt' and 'tangible' patterns of consumption in these two countries, then, are analysed as a 'product' in itself, manufactured in the 'now'. However, the attitude of the authors towards this 'spirituality' is not one of orientalism but one of appraisal. Mao and Gandhi are seen as having promulgated spiritual nationalism and rejected a conspicuous materialism that impeded a "collective effervescence". Thus, nationalism and national culture emerge as recurrent themes throughout this book.

In his essay, Christopher Jaffrelot discloses the declining interest of the urban middle class in electoral politics dûe to their desire for managerial efficiency rather than political rhetoric; and the 'unprofitable' trend of elective affinities between caste identity and politics. On the other hand, Carol Upadhya demonstrates how IT professionals, while grappling with dilemmas about their Indian identity, reconstitute a patriotism within the very discourse of globalisation viz. popular consumption, via visual media, of ideologies of the nation, culture, family and 'core' values. Lefebvre, in the fourth chapter, argues that corporate hospitals, like shopping malls, have become sites of colossal consumption. Such infrastructure contributes to the narrative of national pride.

The two subsequent chapters give cognisance to certain empirical and theoretical nuances in the definition of a 'modern' Chinese middle class. Xiahong Zhou claims that despite the 'open-door' policy, a clear documentation of a middle class in China has been difficult. This is because of the overlap between the Party and civil society, huge pressure of rural population on industry and the Socialist nature of the Chinese State. According to Jean-Louis Rococo, the conformity of the Chinese middle class to an ethos of traditional ideas introduces a rational attitude towards consumption — buying is planned and money is saved before spending.

Pal Nyiri and Anand V. Taneja, in their respective chapters, describe how landscapes are transformed, enabling material and spiritual tourism of a civilisation. The planning of the village of Songpan as a site for tourism not only developed its natural and residential environment but also made it into a museum for its early Communist content. Taneja, studying the history of Lado Sarai in New Delhi, demonstrates how local histories are displaced — physically and psychologically — by global narratives. Past wars between Muslim invaders and Hindu kings are spatially and architecturally represented and merge into narratives of the present — war on terror against Pakistan and Afghanistan.

The remaining set of chapters focus on niche marketing in India and China, where what is consumed is not just commodities, but also experiences and identities — regional, sexual and gender and class. Aspects of modern consumption are delineated in the form of food, karaoke music, local and international cinema and TV drama, bridal magazines and portfolios and art and architecture. All these instances present spaces for negotiation between individual agency and resistance and societal structures, between commercialisation and purity of expression, between westernisation and traditional form and between colonisation and in-

**CHRISTOPHER JAFFRELOT** lectures in South Asian politics at Sciences Po, Paris. He is the director of Centre d'Etudes et de Recherches Internationales. **PETER VAN DER VEER** is currently a Professor at the University of Utrecht. He has authored several books on South Asia, including Religious Nationalism - Hindus and Muslims in South Asia; Imperial Encounters: Religion, Nation, and Empire.

**BROWSING**
**K.K. Agarwal**
Chairman,
Alps Industries

**I recently picked up Flood by RICHARD DOYLE. A disaster novel, it tells the story of a Britain that has suffered floods on an unprecedented scale. Backed up by over 25 years of research, Doyle's vision is incontestable and makes us realise that neither science nor technology can save us from the fury of nature if we do not restrict our rising intolerance towards the environment. I enjoy browsing through bookstores and rely on recommendations from friends and family.**

digenous effort. Two common strands tie all the chapters together. First, the identities created through popular consumption are ephemeral, primarily because modern consumption is the glacial movement from the 'obsolete' to the 'new'. The only identity that modern consumption bestows upon man is that of a member of the community of consumers. Second, consumption is not only a narrative about class, but also serves as a tool to enhance national pride.

Although this analysis of consumption, within the rubric of nationhood, is indeed refreshing, it nevertheless disturbs the understanding of 'participatory citizenship' by including only those who possess a certain degree of propensity to consume. Also, specific issues, such as the prevalence of bribery in India and the effects of the 'one-child' policy in China, on consumption patterns have been overlooked. However, this book must be credited for critiquing the empirical construction of the middle class and locating it in the consciousness of the post-capitalist man through dialogues with signs, symbols and icons.

Chandan Bose is pursuing an MPhil on the practice of manual scavenging in India at the Center for the Study of Social Systems, JNU

**SELECTION 1**

## Essence Of A Civilisation

**THE SPIRIT OF INDIA BY RAMIN JAHANBEGLOO PENGUIN, PAGES: 172 PRICE: RS 225**

THE INTELLECTUAL EXPLORation of India by Iranian philosopher Ramin Jahanbegloo began with his childhood and has only intensified with time. In his latest book, THE SPIRIT OF INDIA, he attempts to capture and explain the "national spirit" of India through the thoughts and visions of certain individuals. For Jahanbegloo, it is "peaceful diversity" that is the "cornerstone of India as a nation...its national spirit". And he finds this echoed in the thinking of Mahatma Gandhi, Rabindranath Tagore, Jawaharlal Nehru, Maulana Abul Kalam Azad, Vinoba Bhave, Sarvepalli Radhakrishnan, Sri Aurobindo, Ananda Coomaraswamy and Satyajit Ray — all of whom thought deeply about the seemingly binary divides between tradition and modernity, as well as rationality and religion.

But whether an interrogation of his subjects led him to the conclusion that non-violence in a multicultural society is the spirit of India or was his choice of subjects predicated on this observation is not clear.

Jahanbegloo admits that non-violence is no longer the weapon of choice in contemporary India — one that is wracked by violence and separatism of all kinds — but passionately argues that our future lies in reclaiming it. According to him, it is precisely because India has had a spirit of dialogue and peaceful diversity that "violence and dissension in India has not led to the destruction of Indian social contract in the past". A reasoned argument, lucid prose and insightful engagement with the ideas of some of the country's most important thinkers make this book a delightful read.

The book is a result of the two years that he spent in India, 2006 onwards, as the Rajni Kothari professor at the Centre for the Study of Developing Societies.

*—Sumati Nagrath*

**SELECTION 2**

## A Matter Of Aesthetics

THE LAW OF MARGINAL UTILITY states that the more you have of the same product, the utility you get from it falls. But this seems to be an anomaly when one reads AESTHETICS IN MARKETING by Rajat K. Baisya and G. Ganesh Das (Sage). The authors bank heavily on the fact that if the product being marketed is aesthetically attractive, the law of diminishing marginal utility fails to hold true.

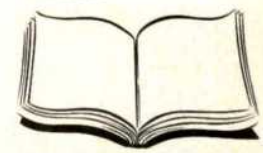
They argue that consumers today are not satisfied just by the low prices or good colours or good salesmanship that companies have to offer. They look at not only the functional utility of the product but also bank heavily on its social and emotional utility. Taking these things into account, many companies have begun to invest heavily in aesthetics.

The authors substantiate their theoretical arguments with empirical evidence to show how companies have actually increased their profits by looking into the aspects of aesthetics. A straightforward and useful book for marketing students, it does not offer much to a casual reader interested in the application of aesthetics in general.

The book could have been a lot more engaging if the writers had chosen a style that wasn't overtly academic.

*—Janhavi Abhyankar*

**ALERT**



**WORLDS AT WAR: THE 2,500-YEAR STRUGGLE BETWEEN EAST AND WEST**

**BY ANTHONY PAGDEN OXFORD UNIVERSITY PRESS**

**The book, which spans a period of 2,500 years, explores the seemingly insurmountable differences between the East and the West. Although Anthony Pagden describes this East-West division as "often illusory, always metaphorical" in his preface, the book does, at times, echo Samuel Huntington's thesis about the clash of civilisations. According to Pagden, the "Fundamental theological difference between Islam and Christianity lies in the association between religion and the law".**

# A Policy Dilemma

THE POLICY OF THE RESERVE BANK IS TO KEEP THE real effective exchange rate stable. That policy has, in recent years, been accompanied by an uncomfortable accumulation of reserves. Reserve accumulation leads to a rise in money supply. The Reserve Bank has worked out a drill for that too; it withdraws the rise in money supply through what it calls market stabilisation bonds. These arrangements have worked well except for a short spell in March 2007. Then lack of coordination with the finance ministry exhausted the Reserve Bank's authority to issue stabilisation bonds. It stopped buying dollars in the market, and the Rupee appreciated by about 12 per cent. Then it went back to its old policy.

AMIT VERMA

**The temptation to make food imports cheaper may lead the government to repeat its accidental experiment of Rupee appreciation**

The impact of that appreciation is becoming apparent now; and it is alarming. In December, Kamal Nath, the commerce minister, told Parliament that appreciation may cost traditional export industries such as textiles, leather, marine products and handicrafts two million jobs —one-third of their total employment. More recently, his Minister of State, Jairam Ramesh, repeated the figure in the Upper House. If correct, this would be a heavy cost to pay for a little miscommunication between the finance ministry and the Reserve Bank.

However, economists pooh-pooh such scaremongering. Swaminathan Aiyar toured Gujarat before the elections and saw no increase in unemployment amongst textile workers or gemcutters. To Ajay Shah, fluctuations of a million of two in total jobs of 500 million are peanuts.

But ministers do not hold economists in high esteem, especially ones who do not give them the results they want. Kamal Nath had given P. Chidambaram numerous suggestions on how to help export industries; the finance minister ignored most of them in the budget. Frustrated, Kamal Nath went to the Prime Minister after the Budget. He told the PM that exports were growing in dollar terms, but exporters wanted rupees. April-December exports had risen 21.8 per cent in dollar terms, but only 7.8 per cent in rupee terms. Exports of 26 out of 92 sectors had declined; amongst them were the more employment-intensive ones. He cited reports from various state governments reporting employment losses in export industries of 30-35 per cent in Tamil Nadu and 30 per cent in Kashmir. He gave job losses as numbering 100,000 in gems and jewellery, 50,000 in leather, 25,000 in fisheries, and so on.

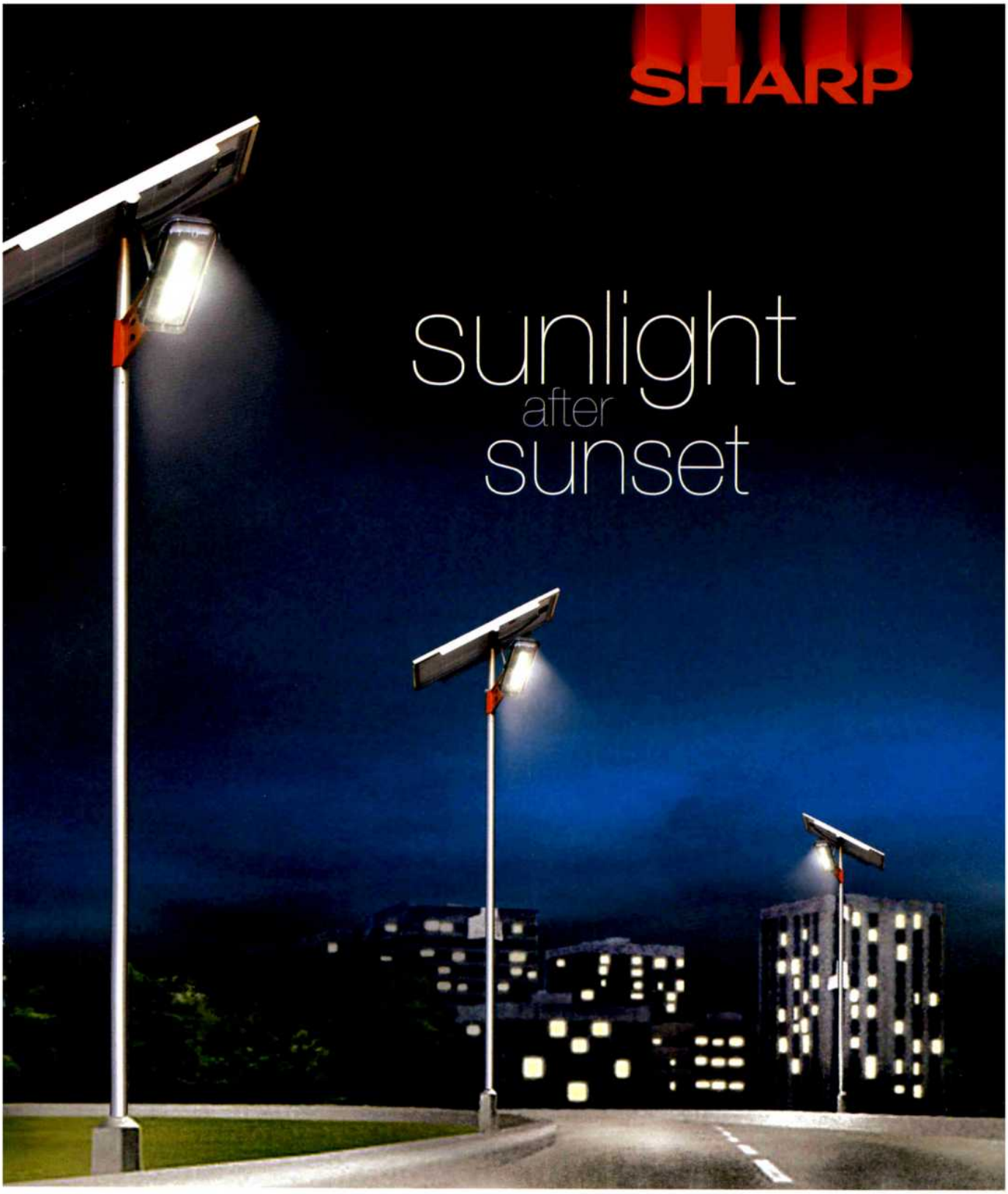
Job losses make governments unpopular, and ruling parties of Tamil Nadu and West Bengal are allies of the Congress. So the Prime Minister will be tempted to do something. The question is, what can he do?

The simplest thing to do would be to reverse the absent-minded appreciation of last March. All that the Prime Minister has to do is tell the Governor of the Reserve Bank to start trading the dollar for Rs 44 instead of Rs 39, and the export industries will perk up. From Ludhiana to Tiruppur, exporters will sing the PM's praises.

What stops him? If he devalues the Rupee, he will raise the cost of imports. India is a big importer of cooking oils. It also imports considerable quantities of wheat. The import prices of these essential goods will go up. But the government cannot afford to allow domestic prices to go up. That would make domestic consumers angry, and lose the Congress more votes than it would gain in Ludhiana and Tiruppur.

The fact is, that the world is experiencing an episode of inflation in commodity prices; India has to adjust itself to it. In the old days of autarky, the government kept foreign influences out with tariffs and import controls. At that time, domestic prices were generally far above prices abroad; if the latter went up, all the government had to do was to reduce tariffs a bit.

But in the past 17 years, the economy has become more closely integrated with the world; given its greater trade dependence, it is more difficult to insulate domestic prices from global influences. But old habits die hard. The government has allowed other commodity prices to be determined by foreign trade. But it has insulated the foodgrain markets; it has kept domestic foodgrain prices below international prices and public distribution prices below market prices. The result is that it has had to pay increasing subsidies; they have absorbed a rising proportion of its revenue, and reduced its capacity to undertake productive investment. As international prices rise, these tendencies will be accentuated. The government's finances will become increasingly stressed — so much so that a one-time appreciation will appear more and more attractive to it.

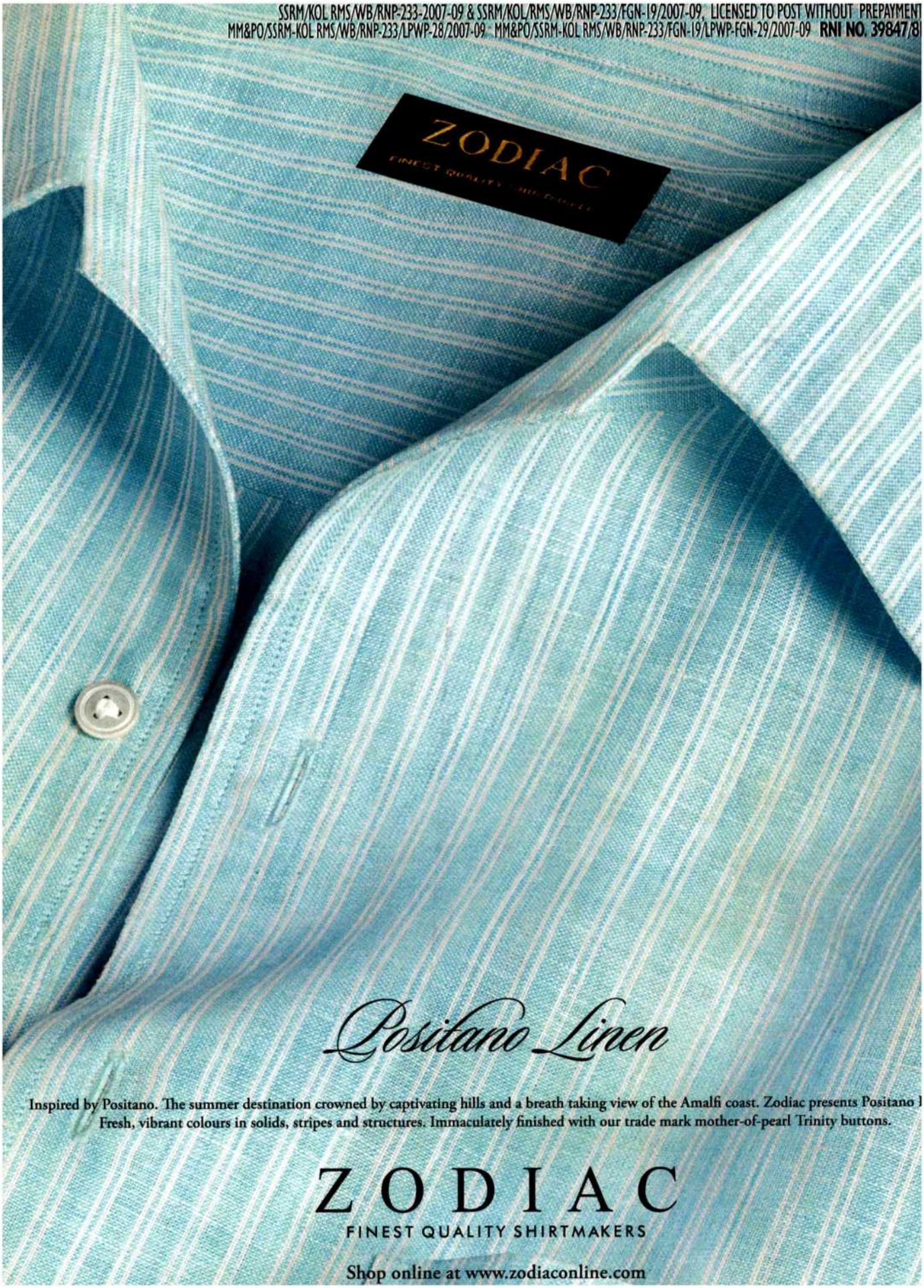



## resenting Solar Photovoltaic Street Lighting Systems

harp began research on solar cells in 1959, almost 48 years ago and today it is leading the way into the a of Clean Energy with Solar Power. Sharp has been the world leader in solar cell production for seven ars in a row, since 2000.

know more please call 9310078313 or visit www.sbsil.com/sharpsolar.

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09, LICENSED TO POST WITHOUT PREPAYMENT
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 RNI NO. 39847/8




*Positano Linen*

Inspired by Positano. The summer destination crowned by captivating hills and a breath taking view of the Amalfi coast. Zodiac presents Positano l
Fresh, vibrant colours in solids, stripes and structures. Immaculately finished with our trade mark mother-of-pearl Trinity buttons.

# ZODIAC

FINEST QUALITY SHIRTMAKERS

Shop online at www.zodiaconline.com

BATTLING INFLATION P.22 ICL'S GRIM INNINGS P.24

Rs 10

# Businessworld

www.businessworld.in SUBSCRIBER COPY NOT FOR RESALE 14 APRIL 2008

## CHANGING THE WORLD

Hank Paulson is reordering the global financial system PAGE 38

+

Cracking tax havens PAGE 44

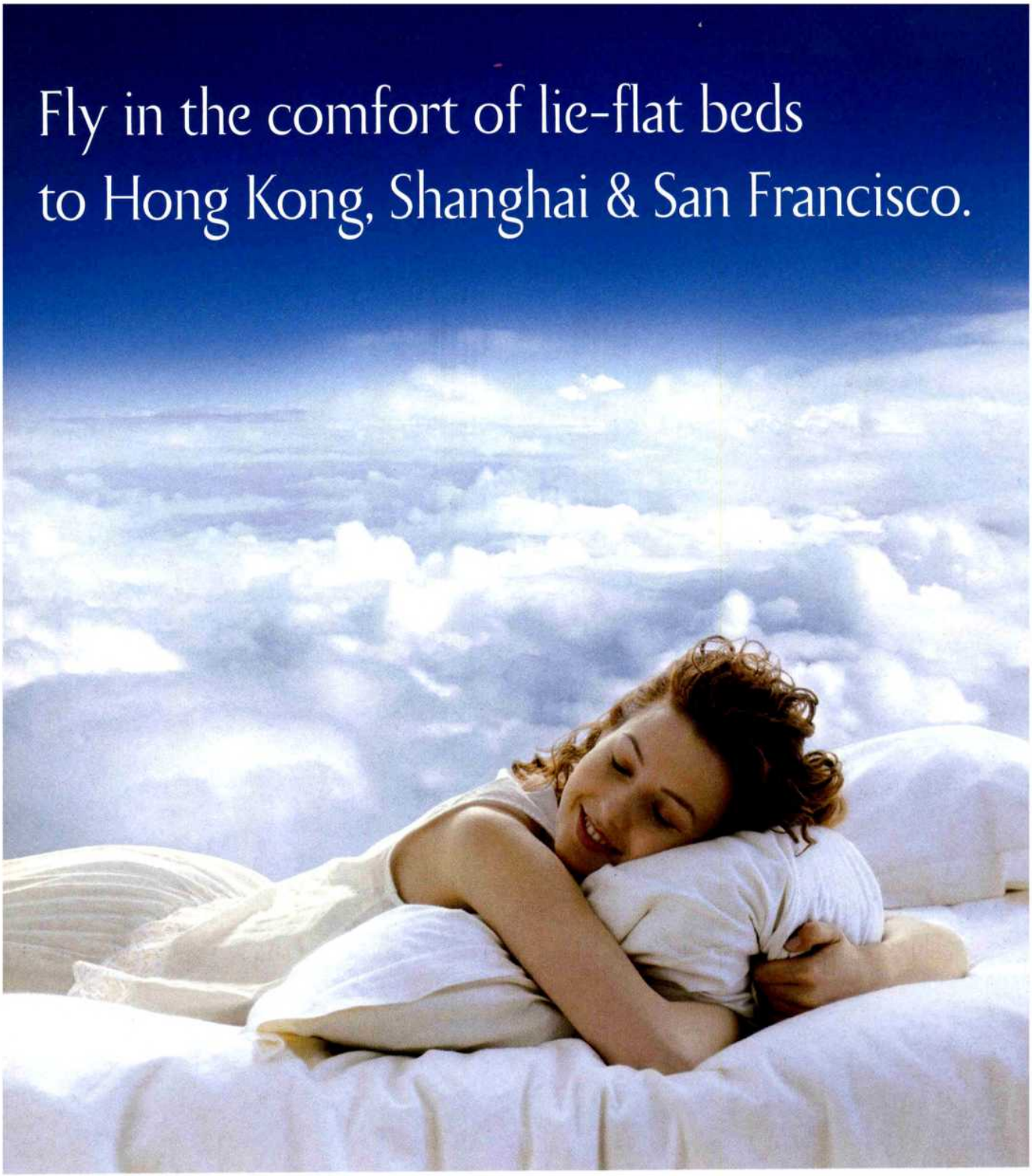
Chaos in state research patents PAGE 54

# TODAY'S FRAGILE MANAGER

## How an emotionally reactive and brittle workforce is hurting corporate india

INDIA'S No. 1 BUSINESS MAGAZINE MOST READ MOST SOLD

# Fly in the comfort of lie-flat beds to Hong Kong, Shanghai & San Francisco.



Get enticed to sweet slumber on your way to Hong Kong, Shanghai and San Francisco aboard our Premiére, with the coziness of 180° lie-flat beds. Complemented by ambient mood lighting and Sleeper Suit. For entertainment, engage in movies, music and games on our award-winning in-flight entertainment system. Adding to your pleasurable flight is our delectable cuisine with select beverages. You can also enjoy this comfort on your way to Brussels, London, New York, Singapore, Kuala Lumpur and Toronto. So the next time you want to fly in peace and calm, call 1800 22 55 22*/3989 3333, your travel agent or visit jetairways.com

JET AIRWAYS

# How the world looks without Universal Power

**Reliable power solutions for life.** From large power transformers to home inverters and batteries, Universal Power delivers a whole suite of power solutions that keeps your life running smoothly. The next time you evaluate your options for commercial, residential or auto applications, look for the company that embodies reliability. Because sometimes, you cannot afford to live and learn.

MOLONEY ELECTRIC INC.
CANADA

UNIVERSAL POWER

TRANSFORMERS I SWITCHGEAR I PROJECTS
BATTERIES I UPS I INVERTERS

*Charge your life*

www.upt.in

ISO-9001 REGISTERED FIRM

**Universal Power Transformer Pvt. Ltd.**
**Unit I** 26/A 2nd Phase Peenya Industrial Area Bangalore 560 058 Phone +91 80 28396188/84, 28397219, 28396877 Fax +91 80 28397271 E-mail contact@upt.in
**Unit II** Plot No 37 Sector 8 A SIDCUL IIE Haridwar Uttaranchal 249 403 Phone +91 1334 235424/467/468/469 Fax +91 1334 235466 E-mail haridwar@upt.in
**Regional Offices • Ahmedabad • Bangalore • Chandigarh • Chennai • Coimbatore • Delhi • Hyderabad • Kolkata • Mumbai • Mysore • Pune**
Log on to www.upt.in for branch contact details or call our **Toll Free No** 1800 425 8785

Stirred Creative

# Editor's Letter

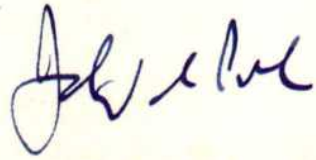
# Appreciate Emotions

**by jehangir s. pocha, editor**

WE KEEP SAYING WE ARE A CONfident people but confident people don't need such self-reinforcement.The truth is that after decades of feeling inadequate we are re-emerging as a nation and as people. It's tough. Resurgent nations articulate power clumsily and often succumb to chauvinism as they seek redress for past grievances and recognition for their new status. That's what happened in Germany and Italy in the 1930s and what India (and China) are grappling with now.

This change causes turmoil at a personal level too. But we seldom realise or talk about it because we are not big on emotional self-understanding. In the years we obsessed over bread-and-butter issues, our parents and teachers focused us on achieving financial security, not personal actualisation. It made us cling to family rather than explore our individualism and pushed us into professions in which we had no inclination or interest. Now, many of us feel a conflict between our material and inner lives. Add to this our unresolved national traumas, such as Partition, and the indignity of everyday life, and it's easy to see why our innate Indian character of rectitude and moderation is loaded with insecurity, and anger.

Fitting our complex emotions into a corporate world that demands rational professionalism is tough. Managers complain youngsters are addicted to lucre and allergic to feedback. Youngsters moan their superiors have feudal mindsets and archaic skill sets. This complex corporate sociology is debilitating employees and corporate growth. Parents and educationists are now bringing up children differently. But in the meantime, CEOs should invest in the training and counselling needed to ease the subterranean strains running through India Inc. As Alexis de Tocqueville said, it was America's "rugged individualism" that made the country great. India's fragile collectivism cannot build strong companies, or the nation.




**Businessworld**

**Volume 27 Issue 47.**
**For the week 8-14 April 2008,**
**Released on 7 April 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
**Bangalore**
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*

Pitney Bowes MapInfo

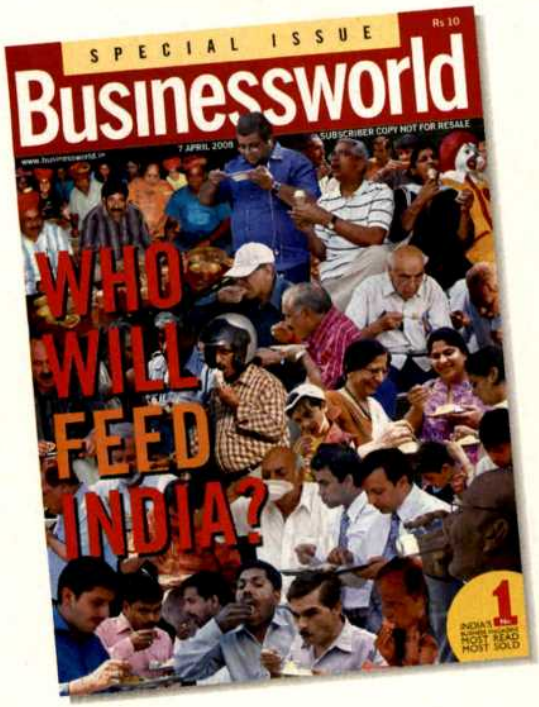
## FROM MORE EFFICIENT OPERATIONS TO HIGHER ROI, YOU CAN LEARN A LOT FROM LOCATION.

Location intelligence can tell you precisely how and where to grow. How to add more wow to customer service. Even how to make your operations more efficient, and your offerings more differentiated. To start listening, talk to the location intelligence professionals at Pitney Bowes MapInfo. Through comprehensive software, expansive data sets, expert consulting and support, we help your entire organisation leverage the unique power of location-centric information for better, more informed decisions. See what location intelligence tells you. For more information contact us at india@mapinfo.com. **Be Location Intelligent®**

**See how location intelligence drives key business decisions.**
**Download *Location Intelligence: The New Geography of Business* at mapinfo.com/location64**

©2008 Pitney Bowes MapInfo Corporation. All rights reserved. MapInfo and the MapInfo logo are trademarks of Pitney Bowes MapInfo Corporation.

# Feedback your comments




## Putting Food First Can Feed India

Your cover story, 'Who Will Feed India?' (*BW*, 7 April) brought to light the extremely grim food situation enveloping the country. The irony is that even while India is predominantly an agrarian country, the share of agriculture in GDP has been progressively decreasing, which indicates that the sector is grossly overlooked. India is certainly growing, but the growth, driven mainly by the service sector, is not of the most desirable kind. The country needs to make agriculture, primary education and healthcare its top priorities. To make agriculture vibrant, there is an urgent need for farm-sector reforms coupled with streamlined rural credit delivery mechanisms and adequate support infrastructure. Only a complete rethink on these crucial matters can save us from mass hunger.

**Srinivasan Umashankar,** via e-mail

**WRITE IN AT**
**bweditor@abp.in**
**or post us on**
**www.businessworld.in**

## It Pays To Live In A Great Country

This is with reference to 'Pay Commission: No Tips And Bonuses' (*BW*, 7 April). I think the Sixth Pay Commission has rightly suggested an increase in the pay of government employees. Owing to the higher salaries being offered in the private sector, the public sector has been unable to draw enough talent and the skill shortage has begun to hurt badly. The financial burden on the government exchequer shall be offset somewhat by taxes collected on higher pay scales. Higher disposable income available with government employees will only boost the country's economy. Greater spending levels will lead to greater collection of indirect taxes like service tax, etc. Government employees always had job security and pension benefits and now they will also be able to say, "*Mera Bharat mahan, kaam ke badle deta hai poora paisa bhi.*"

**Mahesh Kapasi,** via e-mail

In The News pay commission

No Tips And Bonuses

## Avoiding Debt Traps

The story 'Life And Debt' (*BW*, 7 April) highlighted how millions in rural India still live in the grip of moneylenders, who lend at such exorbitant rates that it becomes impossible for the poor farmers to ever come out of the debt trap. Though FM Chidambram has done his bit by waiving a significant chunk of the farmers' loans taken from banks, those who have borrowed from moneylenders still have no help in sight. The public banks should pose greater competition to private moneylenders so that farmers' exploitation is taken out of the equation.

**Bal Govind,** via e-mail

## Can't Shake Client Confidence

This is with reference to 'Saving The Bear' (*BW*, 31 March). As pointed out in the article, the Fed simply can not let the entire financial market be jeopardised by letting giants like Bear Stearns fall. It has to come in even if it is taxpayers' money that is being used or even if it means giving a wrong signal to the market that market giants can take huge risks as in the end the Fed will bail them out. The sudden collapse of a major player could not only shake client confidence in the entire system, but also make it difficult for sound institutions to conduct business as usual. So, the Bear must be saved for the greater common good.

**Akshat Agrawal,** via e-mail

*Letters may have been edited for brevity.*

# 28% BETTER PERFORMANCE PER WATT†

DELL POWEREDGE M600 BLADE SERVER

VS

IBM BLADE CENTER H TYPE 8852

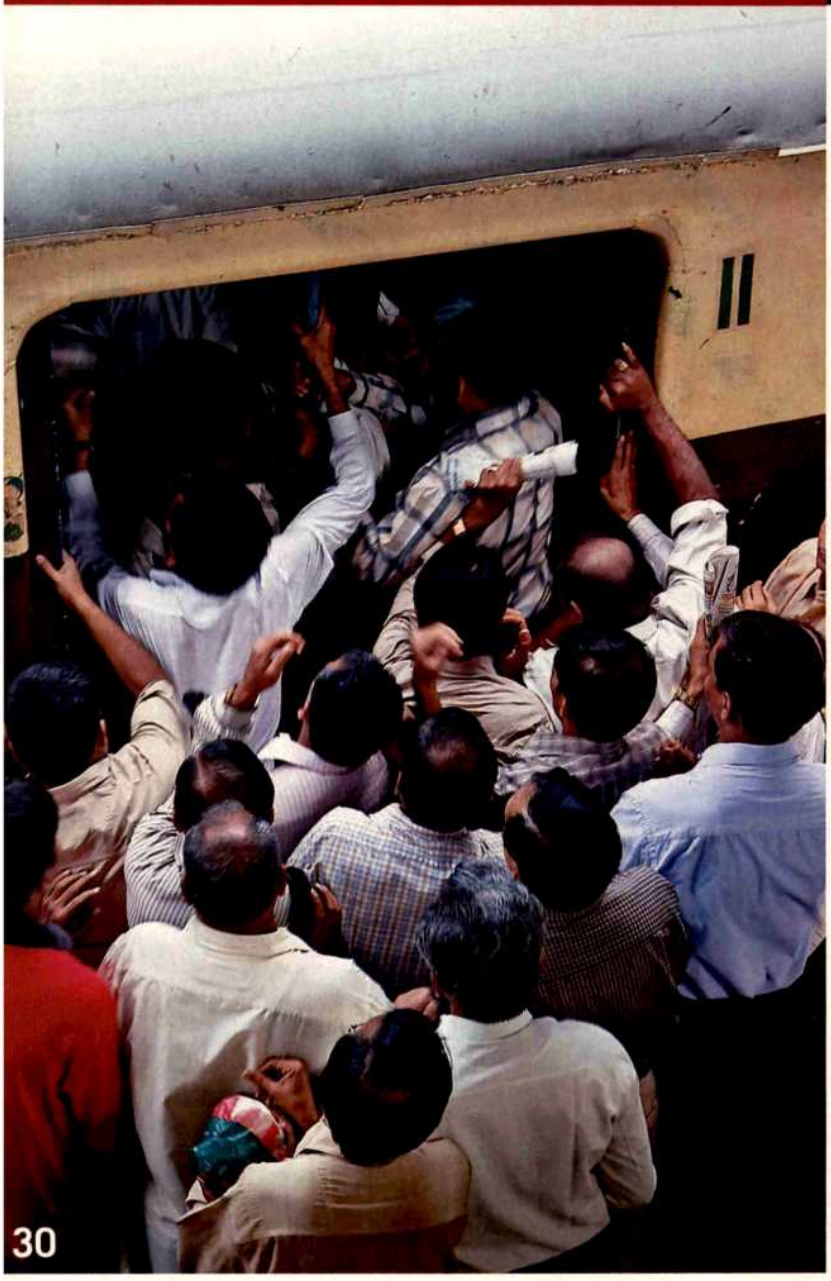
GET MORE PERFORMANCE PER WATT AT
www.dell.co.in/efficiency
FOR BUSINESS ENQUIRIES CALL 1800 209 3061
TOLL-FREE Mon-Fri 9am-6pm (All Networks Except Spice Telecom)

† Based on Principled Technologies' "SPECjbb2005 performance and power consumption on Dell, HP, and IBM blade servers" December 2007 test report commissioned by Dell.

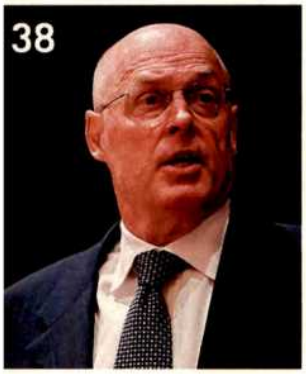
DELL'S NORMAL TERMS AND CONDITIONS APPLY AND ARE AVAILABLE ONLINE OR UPON REQUEST. All efforts will be made to check for errors in typography and photography, however inadvertent errors may occur for which Dell may not be responsible. Dell, the Dell logo and PowerEdge are registered trademark or trademarks of Dell Inc. Other trademarks and trade names may be used in this document to refer to either the entities claiming marks and names or their products. Dell disclaims proprietary interest in the marks and names of others. Copyright 2008 Dell Inc. All rights reserved.

BATES DAVID ENTERPRISE/BLR/DELL/081/10 04 08/BUSINESS WORLD

Businessworld 14.04.08




SUBHABRATA DAS



# 30 Manage Emotions

A fancy management degree is not enough. Today's charged workplaces require managers with high emotional maturity.

**36 Ask Ram Charan**
Emotionally immature leaders instill fear in their colleagues and subordinates.

## ON POINT

**10 No Bull In China Shop**
Tibet issue won't have any immediate impact on Indo-China trade.

**11 The Q4 Alarm**
Spectre of fourth-quarter corporate results looms over markets.

**11 Taking A Rain Check**
Politicians, farmers, agri traders — all are waiting for the monsoon forecast.

**16 FIANCHETTO**
Weekly strategic corporate moves.

**18 QUICK TAKE**
Will Paulson's plan prevent meltdowns?

## IN THE NEWS

**22 The Ides Of March**
Rising inflation can mar the UPA's political harvest at the hustings.

**24 Boundaries Drawn**
By the end of the month, you would know if IPL is going to cloud ICL.

**26 Take Account**
ICAI's stand on accounting of derivative losses in balance sheets creates a flutter.

**28 House That?**
A New Zealand-based company brings wooden houses to India.

## IN DEPTH

**38 Paulson's Plan**
Overhauling regulatory framework of the US financial system will take years.

**44 Bring Back The Money**
Indian government is yet to act even when a tax haven is ready to help it.

**48 More Bear Stearns?**
Listed Indian securities firms better learn lessons from Bear Stearns fast.

**54 The Patent And The Latent**
Bill for patenting taxpayer-funded research has stirred up a hornets' nest.

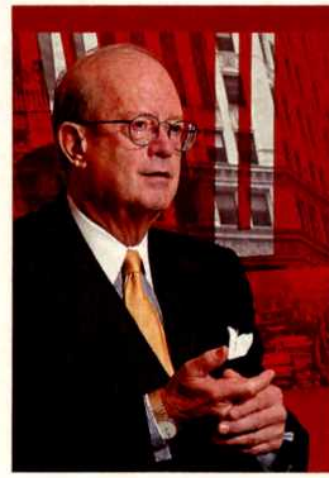
## IN VOGUE

**73 Cradled In Luxury**
Luxury brands have now discovered a new constituency in India: children.

**77 Suit Yourself**
Italian tailors Ermenegildo Zegna and Brioni are here with suits costing lakhs.

**78 Riding Into The Sunset**
Horse racing finds it hard to attract youngsters to own and train horses.

**80 Bookmark**
Blood of the earth, battling stereotypes and adventure with ideas.

## IN CONVERSATION


**50 JOHN C. CUSHMAN, III**
CHAIRMAN,
**CUSHMAN & WAKEFIELD**


The fundamentals of realty are very strong. It's only a question of time before the housing sector pulls up realty. The commercial property is not so badly hurt.

## COLUMNS


**20 Bill Emmott**
The US and emerging economies need to learn from Japan's recession of the 1990s.

**40 Gurbir Singh**
Resistance notwithstanding, implementation of CAS is only a matter of time.

**57 Srikanth Srinivas**
The Forbes list of the world's richest is not the best indicator of their net worth.


## BW & YOU


**06 FEEDBACK**
**65 CASE STUDY**
**82 BW OPINION**



**Cover Design by Anthony Lawrence**
**Photograph by Corbis**



**BWonline**
**businessworld.in**
**WEB EXCLUSIVES**
TechnoCool
Learn about Nokia N82, and also the all-in-one PC, ZPC-9100.
Real Estate
Laisram Indira on the best houses money can buy in India.


Total No. of pages including cover: 84

# OnPoint

INDIA-CHINA

# Business As Usual

**The protests in Tibet won't dent China's economic prospects in India**

BLOOMBERG

EVEN AS THE PROTESTS in Tibet begin to get global attention — German Chancellor Angela Merkel said she won't attend the 2008 Beijing Olympics, and French President Nicolas Sarkozy has left the option of a boycott open — India has remained quiet. This, despite Beijing handing it out several diplomatic slaps in the face. In fact, New Delhi has even asked the Dalai Lama not to do anything that could affect India's good relations with China. Only former Defence Minister George Fernandes, known for his pro-Tibetan stand, has called for a boycott of Chinese goods.

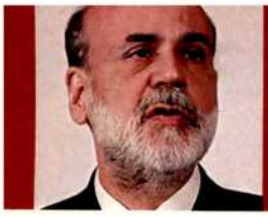
India's stance is hardly surprising, given the recent surge in bilateral trade with China. The 2007-08 Economic Survey shows that China has surpassed the US to become India's largest trading partner. India-China trade stood at $38.6 billion at the end of 2007, up from $166 million six years ago. During Prime Minister Manmohan Singh's Beijing visit in January, both countries had set a bilateral trade target of $40 billion by 2010.

Analysts rule out any immediate impact on trade from Fernandes' diatribe. Such calls "don't make a ripple in bilateral trade", says Jabin Jacob, a research fellow at the Institute of Peace and Conflict Studies in New Delhi. China needs India for cheap raw materials, intermediates and components, and India needs China to cater to its low-cost machinery needs. Says Rajeev Anantaram, a senior fellow at ICRIER, "Trade will continue."

Globally, too, the appetite for Chinese goods has not shrunk. The Tibet issue may be a diplomatic disaster for Beijing, but it has failed to dent China's economic machine.

*T.K. Vineeth*

**37** billion US dollars. Swiss Bank UBS's loss due to the subprime crisis, the largest by any bank so far.



**QUOTE OF THE WEEK** **"I don't think any company is interested in repeating the experience of Bear Stearns."**

— BEN BERNANKE, CHAIRMAN, US FEDERAL RESERVE

FULL-YEAR RESULTS

# Anxious Times

**Full-year results could influence the trajectory the markets will take**

INVESTORS ARE EAGERly awaiting the fourth quarter results and the forward projections likely to be made by companies.

There are concerns that inflation curbs will also affect local liquidity flow. "Monetary tightening will increase cost of capital, which will slow down economic activity," says Amitabh Chakraborty, president of equity at Religare Securities.

If the market falls, then it breaks the trend of the past two years (2006 and 2007) when the BSE Sensex gained 6 per cent and 8 per cent, respectively, after the announcements of the full-year results.

"Auto, banks and cement are likely to see slower earnings, while oil and gas and metal will see strong growth," says Prateek Agrawal, head of equity at Bharti AXA Investment Managers. "The IT sector's growth may improve and the telecom sector will remain robust."

Foreign brokerage firms are more bearish. Morgan Stanley's 31 March report states that losses due to exposure to asset markets and derivative contracts, and the impact of a slowing economy are factors that the market has still not absorbed. For the moment, until the results are out, analysts and investors will have to hold on.

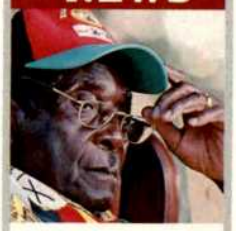
*Abhishek Chowdhury*

## A ROLLER-COASTER RIDE

The past three months' Sensex movement

Source: CapitalinePlus

Global NEWS



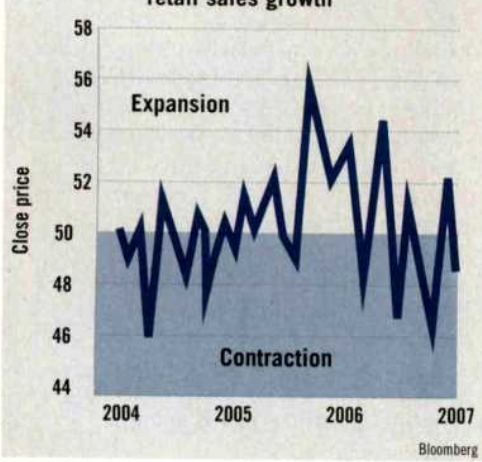
AP

**Mugabe loses:** Even as the Zimbabwe government is delaying results of the national elections, the opposition has claimed that their party, Movement for Democratic Change, has got majority with its Morgan Tsvangirai gaining more than 50 per cent votes. As *BW* went to press, the results were yet to be officially announced.

## SALES DECLINE

Sales growth in Europe declined to 48.2% in March, down from 52.4% in February.

Purchasing managers' index of retail sales growth




Bloomberg

MONSOON

## WAITING FOR THE RAIN

AGRICULTURE PRODUCTION OF ANY country depends on the weather forecast, as it determines the crop pattern to be adopted. This year's forecast assumes greater significance as elections are round the corner and the projections can make or mar the fortunes of the country's agriculture-dominated economy.

"We have not yet finished with our research and will be able to do the predictions for the coming monsoon only after 15 April," says B.P. Yadav, director of Indian Meteorological Department.

Along with politicians, farmers, farm produce traders and policy makers are also eagerly awaiting the forecast. That's why even a fortnight's delay causes concern.

Last year, the Met department had predicted that India would receive an average 829 mm of rain — it got 937mm. The department also said that there would be deficient rainfall over the southern peninsula, which ended up getting excess rain. This year, it remains to be seen whether the forecast will be close to reality.

*Janhavi Abhyankar*

## TEMPORARY TRUCE

Argentine farmers at a rally in Gualeyguachu, Argentina, on 2 April 2008. The farmers have decided to suspend their 21-day national strike over export tax increase that stripped stores of agriculture produce and meat. The strike included road blocks, which led to shortages of meat, milk and vegetables.

AP

EDUCATION

# For A Fee

SANJIT KUNDU

**IIMs will continue to be the cheapest option to do a global MBA**

DESPITE THE SHARP FEE hike by the Indian Institute of Management Ahmedabad (IIM-A) — from 4.5 lakh to Rs 11.5 lakh for a two-year course — IIMs remain among the cheapest options for a world-class MBA. The other six IIMs will also more or less double their fee structure by the start of the new academic year.

The one-year MBA programme at International School of Business, Hyderabad, costs about Rs 20 lakh. Ivy league business schools such as Harvard Business School charge a fee of $43, 800 (Rs 17.52 lakh). Stanford tuition fees is even higher at $48,921 (Rs 19.57 lakh). The total cost of business education is much more in the US, because of the cost of living and health insurance, etc. Given the fact that an IIM-A graduate can command an average starting salary of Rs 17.85 lakh, IIM students will certainly accept this hike.

*Manashwi*

## TRADE MALPRACTICE

BLOOMBERG

### The Real Victim

NEW YORK-BASED LEHMAN BROTHERS Holdings, the fourth largest US securities firm, has sued Japan's Marubeni Corp. Lehman had provided the funds for a hospital investment business, backed by a guarantee from the Japanese trading company. However, the 'guarantee' turned out to be forged and on finding it, Marubeni fired the two employees responsible for it. Now, Marubeni says that it, too, was a victim of fraud.

## Reality Check

**Humans have the ability to use the sense of smell to know if something bad is going to happen, according to a new study by the Northwestern University**

AUTOMOBILE

# THE BRIC ADVANTAGE

NORTH AMERICA IS NO longer the world's largest car making region. According to the Global Auto Report 2008 from Canada's Scotiabank Group, the emerging quartet of Brazil, Russia, India and China (BRIC) have a combined vehicle assembly capacity of 20 million; 2.6 million more than North America's current capacity.

BLOOMBERG

With BRIC markets now making up the bulk of production and buying, it may be a good time to have stricter environment, safety and production standards. "Once the design and development process shifts to India, safety and emissions norms will automatically shift," says Deepesh Rathore, managing director of Global Insight India, a global research firm. The biggest problem US carmakers face is rising fuel prices; people want fuel-efficient vehicles. This is where Asian carmakers such as Toyota and Honda easily trump SUV-loving Detroit.

*Pierre Mario Fitter*

## TOP 10 LISTINGS

TOP INTERNATIONAL RETAIL MARKETS

| | | |
|---|---|---|
| 1 | UK | 55 |
| 2 | Spain | 51 |
| 3 | France | 49 |
| 4 | Germany | 47 |
| 5 | Italy | 45 |
| 6 | Switzerland | 42 |
| 7 | Austria | 42 |
| 8 | UAE | 41 |
| 9 | China | 40 |
| 10 | Russia | 39 |

Figures are percentage of international retailers present in the country.
Source: *How Global is the Business of Retail?* report by Richard Ellis

**NDNC does not effectively address the issue of spam SMSes**

TELECOMMUNICATIONS

# Enduring The Short Menace

IT IS A CLEAR CASE OF interpretation for convenience.

According to Telecom Regulatory Authority of India (Trai) Chairman Nripendra Misra, the national do not call registry (NDNC) provides for relief from unwanted SMSes apart from phone calls.

However, given the number of spam SMSes mobile users continue to get, operators and telemarketers obviously think otherwise.

Says Misra, "Trai will hear the complaints of the subscriber registered in NDNC only after he/she has approached the telecom service provider and the complaint is not effectively addressed at that level."

Trai has mandated a Rs 20,000 fine on operators who allow telemarketing companies to make unsolicited calls, but that, too, is unlikely to work. "Fine is not a remedy, it should be resorted to in grave and serious non-compliance matters," says Misra.

There seems to be no easy, or immediate, answers to the menace. "The system is evolving, both operator and regulator are working jointly; but one cannot expect results so soon," says T.V. Ramachandran, director-general of Cellular Operators Association of India.

For the moment, hapless mobile users can only swallow their righteous indignation.

*M. Rajendran*

## THE COST OF BAD GOVERNANCE

BY K. YATISH RAJAWAT

TRIBHUWAN SHARMA

THE COST OF BAD GOVERNANCE can be confusion and fear. Neither is good for any market, especially equity markets where sentiments rule and anxiety can cause panic. There is a strong current of confusion in the market currently about the quantum of losses listed companies have suffered because of exposure to exotic currency derivatives.

Investors worry that Indian companies, like US banks, have taken unduly high risks with these instruments and are not disclosing the full extent of their losses. They fear that their investments will be wiped out.

Companies are able to conceal these losses because Indian accounting laws do not require companies to disclose their losses on currency derivatives. The Institute of Chartered Accountants of India (ICAI), which oversees accounting regulations, says it has 'recommended and encouraged' its members — chartered accountants — to be prudent in disclosing companies' derivative losses as per Accounting Standard-1 (AS-1).

ICAI officials say that the principle of prudence is well enshrined in AS-1 and so, accountants should disclose all potential losses. This is akin to saying that as murder is a crime and well enshrined in the law, it should not be committed. The ICAI also says it has adopted a new standard, AS-30, which will ask companies to disclose gains and losses on derivatives. But the standard will become mandatory only from 1 April 2011! That's three years of confusion. Whether AS-30 will serve to prevent companies from hiding such losses is another matter.

What is important at the moment is to clear the air about the size of derivative losses lurking in balance sheets. Market watchdog Sebi can issue a circular under its Disclosure and Investor Protection (DIP) guidelines asking companies to disclose their derivative positions to the stock exchanges on which they are listed. To allow investors to make informed decisions and know the real health of their firms, SEBI can also ask that companies' derivative positions should be disclosed on a quarterly basis. But it is not doing so.

Perhaps regulators, like investors, are also afraid of what such disclosures would reveal. But fearing or ignoring a problem is never a solution.

CHEVALIER AWARD

# French Love

**This is the second time the French award comes to the M&M stable**

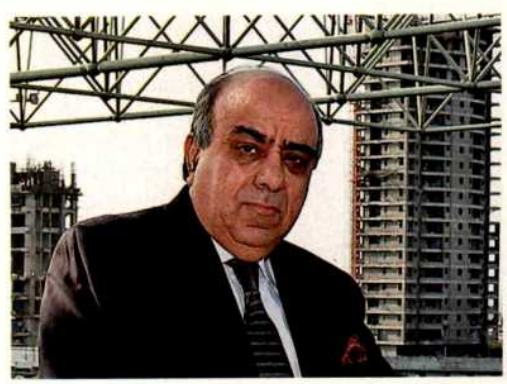
DOING BUSINESS WITH European firms brings rewards the Americans just cannot match.

If Washington appreciates you, you get to head a committee on Indo-US trade. But the Brits make you a Lord!

Now France's President Nicholas Sarkozy has conferred his country's highest civilian award, the Chevalier de la Legion d'Honneur, on M&M's Executive Director Arun Nanda. He has played a key role in bringing the much celebrated mid-priced car, the Logan, to India through a joint venture with French auto major Renault.

In 1987, when M&M jeeps were sold with diesel engines made by Peugot, then French President François Mitterrand conferred the same award on M&M's Chairman Keshub Mahindra.

*BW Bureau*



SANJIT KUNDU

**RECOGNITION:** Arun Nanda, executive director, Mahindra & Mahindra

### Social EVILS

**Corruption:** Executives are most vulnerable while doing business in emerging markets such as Brazil, Russia, India and China, according to a new report by PricewaterhouseCooper.

The report finds that while 80 per cent of executives say they have anti-corruption programmes in place at their company, only 22 per cent are confident the programmes are effective.

**50** billion dollars. The amount the US will spend to battle HIV/Aids in the next five years.

Business Superbrand India 2009 Industry Validated

# Kisne Sikhayi India Ko
# Investment Ki Bhasha?

uti
UTI Mutual Fund
Let's plan to get rich

*Our nation-wide network of 79 UTI financial centres spans the length and breadth of the country. With more than 8 million investors*, one of the largest in the Mutual Fund industry, we have created wealth for a major portion of the investing population. Little wonder then, India not only invests with UTI, but speaks the investment language.*

• UTI Mastershare • UTI Masterplus • UTI Equity Fund • UTI Balanced Fund

SMS : INDIA to 5676756 EMAIL: invest@uti.co.in www.utimf.com

rce : Draft Red Herring Prospectus (DRHP)

**Mastershare Unit Scheme :** An open-end growth oriented equity scheme. **Investment Objective :** To aims at securing for the unitholders capital appreciation by investing the funds of the scheme in equity shares, equity-related instruments and fully convertible ls/debentures of companies. Investment may also be made in issues of partly convertible debentures/bonds including those issued on rights basis subject to the condition that, as far as possible, the nonconvertible portion of the debentures/bonds so acquired or subscribed shall sinfected within a period of twelve months from the date of acquisition. **UTI Master Plus Unit Scheme :** An open-end growth oriented equity scheme. **Investment objective :** The scheme is capital appreciation through investments in equity and equity related instruments. **Equity Fund:** An open-end growth oriented equity scheme. **Investment objective :** This Scheme primarily aims at securing for the unitholders capital appreciation by investing the funds of the scheme in equity shares and convertible and nonconvertible bonds/debentures mpanies with good growth prospects and money market instruments. **UTI Balanced Fund:** An open-end balanced fund. **Investment Objective:** The scheme aims to invest in a portfolio of equity/equity related securities and fixed income securities (debt and money market ities) with a view to generating regular income together with capital appreciation. **LOAD STRUCTURE FOR REGULAR AND SIP APPLICATIONS:** Entry Load: 2.25% for < Rs. 2 crores; NIL for >= Rs. 2 crores., Exit Load: for <= 180 days-1% for investment < Rs. 2 crores, 6 for investment >= Rs. 2 crores, for >= 180 days - NIL. **Direct applications :** No entry load will be charged for direct applications received by the Asset Management Company(AMC) i.e. (applications received through internet, submitted to AMC or Collection Center / Investor ce Centre that are not routed through any distributor / agent / broker including applications for additional purchases received directly from an investor under the same folio and switch-in to a scheme from other schemes, if such a transaction is done directly by the investor). **STERED OFFICE:** UTI Tower, 'Gn Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051. Tel: 66786666. **STATUTORY DETAILS:** UTI Mutual Fund has been set up as a Trust under the Indian Trusts Act, 1882. **SPONSORS:** State Bank of India, Punjab National Bank, Bank of da and Life Insurance Corporation of India (liability of sponsors limited to Rs. 10,000/-). **INVESTMENT MANAGER:** UTI Asset Management Co. Ltd. (Incoporated under the Companies Act, 1956). **TRUSTEE:** UTI Trustee Co. (P) Ltd. (Incorporated under the Companies Act, 1956). **FACTORS:** All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities markets. Past performance of the Sponsors / Mutual Fund / Scheme(s) / AMC is ecessarily indicative of future results. Mutual Fund investments are subject to market risks. Please read the Offer Document carefully before investing. The aforesaid schemes are only the name of the schemes and does not in any manner indicate either the quality of the schemes, ture prospects or returns. UTI Asset Management Company Limited is proposing, subject to market conditions and other considerations, a public issue of its equity shares and has filed a Draft Red Herring Prospectus with SEBI. The Draft Red Herring Prospectus is available on the ite of SEBI at www.sebi.gov.in and the respective websites of the Book Running Lead Managers at www.jmfinancial.in, www.citibank.co.in, www.enam.com, www.gs.com/country_pages/india, www.ibb.ubs.com/corporates/indianipo, www.icicisecurities.com, v.sbicaps.com, and www.india.clsa.com. Potential investors should refer to the Draft Red Herring Prospectus for Risk Factors and other information. This advertisement is restricted and not for publication or distribution in or into the United States. This advertisement is not for offer e in or into the United States of any equity shares or any other security of this company. The securities of this company have not been and will not be registered under the US Securities Act of 1933, as amended from time to time and may not be sold in the United States absent ration under US securities laws or an exemption from such registration. There will be no public offering of any equity shares or any other security of this company in the United States

# Fianchetto

## The week's strategic moves and the movers who made them

C.P. SHANMUGHAM

### Indonesian foray

KS Oils has acquired two palm plantations in Indonesia, the world's biggest palm oil market. This will help the Madhya Pradesh-based company bring down raw material costs. It will also help it secure raw material supplies and avoid global price volatility.

### Tatas in Tokyo

Japanese newspaper *The Nikkei* is speculating that India's Tata Motors will list its depository receipts on the Tokyo Stock Exchange. The paper has also reported that the Mumbai-based auto maker is planning to raise $983 million (100 billion Yen) from Japan to fund the Jaguar and Land Rover acquisition.

It seems Tatas want to leverage the low interest rates in Japan.

### DLF's hotel biz plans

DLF is giving shape to its hotels biz plans. Press reports say that over the next seven years, DLF will spend $5 billion to build 125 hotels in India. The company already has a joint venture with Hilton Hotels Corp., the second-largest US lodging company, to develop 75 properties.

SANJAY SAKARIA

### PTC's wind farm

Power trading solutions provider PTC India has formed public private partnership with the Maharashtra state government to start a 6 MW wind farm project in the state. PTC has also diversified into hydro-electricity by picking up 11 per cent equity stake in Teesta Urja's 1200 MW power plant project in Sikkim.

### Apollo's maternity chain

Delhi-based healthcare company Apollo Hospitals (AHL) is planning to open about 30 more maternity centres across the country. Since 2006, the hospital group runs two such centres — Cradle — in Delhi and Bangalore. This will be the first chain of maternity centres in the country.

### Barclays eyes India's wealthy

Barclays, UK's third largest bank, is going to set up a private bank in India to target high networth individuals and wealthy entrepreneurs. The bank has announced it will hire 100 people by end 2008. Barclays already has a presence in India through its debt-focused investment bank, Barclays Capital.

### ONGC's African sojourn

ONGC Videsh (OVL), the overseas arm of

DEALTRACKER

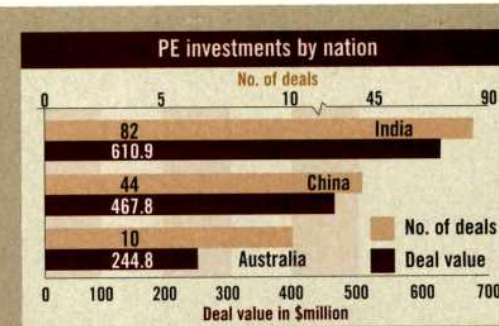
## BW-THOMSON FINANCIAL PE TRACKER

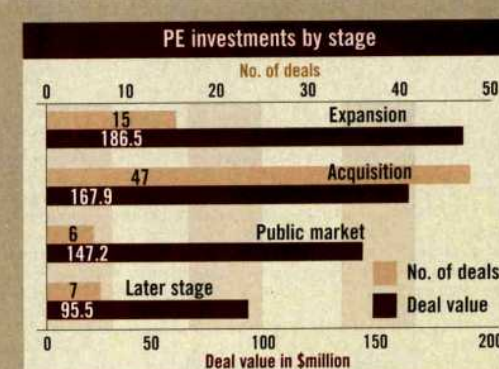
**March** The Asian PE market saw 159 deals worth 1.49 billion as on 31 March 2008. India was the largest market in the region with 82 deals worth $611 million. China was the second largest market.

Top 10 India deals

| TARGET | INVESTOR | INVESTOR NATION | DEAL SIZE ($M) |
|---|---|---|---|
| Cairn Energy India | Orient Global, Undisclosed investor | Singapore, US | 625.00 |
| Meghmani Finechem | International Finance Corporation | US | 137.21 |
| SSKI Investor Services | BPEP International, IDFC Private Equity Co. | Hong Kong, India | 59.00 |
| ICOMM Telecom | Tano Capital | US | 29.96 |
| Nahar Industrial Enterprises | Sequoia Capital | US | 29.96 |
| Mascon Global | Greater Pacific Capital | UK | 27.00 |
| Rajendra Plastics | Itochu Corporation | Japan | 22.47 |
| Shard Worldwide Exports | Henderson Private Capital | UK | 21.50 |
| Osian's Connoisseurs Of Art | Abraaj Capital | UAE | 20.00 |
| Anil Printers | Tano Capital | US | 7.40 |

Figures for 16-29 March 2008




Figures for 1 January-31 March 2008

BLOOMBERG

ONGC, is eyeing oil blocks in Angola. OVL has made a $1-billion bid to develop three offshore oil blocks in the country, which is sub-Saharan Africa's second biggest crude producer and politically stable for the last six years.

**Australian firm eyes Indian mine**

Australia's largest construction company, Leighton Holdings' subsidiary Thiess Pty, has won two contracts worth $900 million over 20 years to develop and operate an open cut coal mine in Jharkhand state.

**L&T's prize catch**

L&T has bagged a Rs 576-crore project from HPCL to implement a 200,000 tonne per annum lube oil base stock (LOBS) plant. HPCL is putting up the LOBS plant as part of its upgradation project. The plant will help HPCL to produce higher value-added petroleum products.

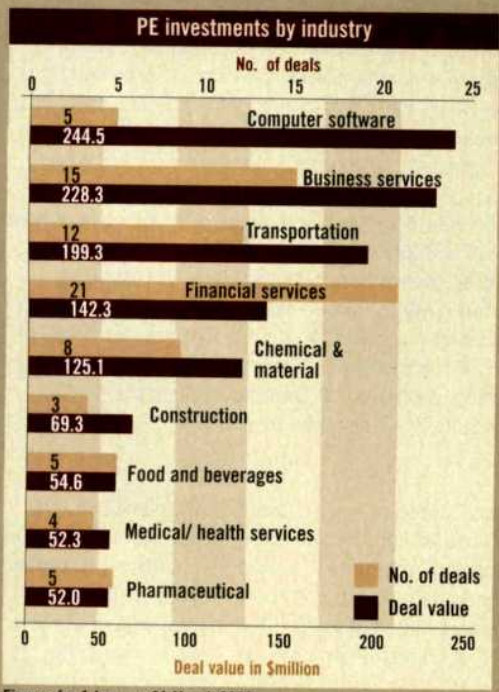
The work includes residual process design, detailed procurement, supply, storage, fabrication, inspection, construction, installation, testing, mechanical completion and performance guarantee test runs for the project.

**Coke pips Pepsi**

Soft drinks maker Coca-Cola has signed as one of the associate sponsors with broadcaster Set Max for the upcoming T20 India Premier League (IPL) match. Rival soft drink major Pepsi was also vying for the same. According to reports, Coca-Cola has paid Rs 16-20 crore for one year for the series. This will give Coke direct access to prime-time on Set Max and enable the company to advertise exclusively its entire portfolio during the 44-day event beginning 18 April.

On the other hand, Pepsi, which paid $12.5 million to become the official on-ground sponsor, won't be able to air its commercials during the matches. The softdrink maker has been a major sponsor of India's domestic cricket tournaments for years and has also been associated with the International Cricket Council (ICC) as the global sponsor.

BLOOMBERG




Figures for 1 January-31 March 2008

**Top 10 Asia deals**

| TARGET | TARGET NATION | INVESTOR | INVESTOR NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Cairn Energy India | India | Orient Global, Undisclosed investor | Singapore, US | 625.00 |
| Hebei Meihua Monosodium Glutamate Group Co. | China | New Horizon Capital, CDH China Management Co. | China, Singapore | 195.00 |
| Meghmani Finechem | India | International Finance Corporation | US | 137.21 |
| Nineyou International | China | Temasek Holdings | Singapore | 100.00 |
| SSKI Investor Services | India | BPEP International, IDFC Private Equity Co. | Hong Kong, India | 59.00 |
| ICOMM Telecom | India | Tano Capital | US | 29.96 |
| Nahar Industrial Enterprises | India | Sequoia Capital | US | 29.96 |
| Mascon Global | India | Greater Pacific Capital | UK | 27.00 |
| Rajendra Plastics | India | Itochu Corporation | Japan | 22.47 |
| Shard Worldwide Exports | India | Henderson Private Capital | UK | 21.50 |

Figures for 16-29 March 2008

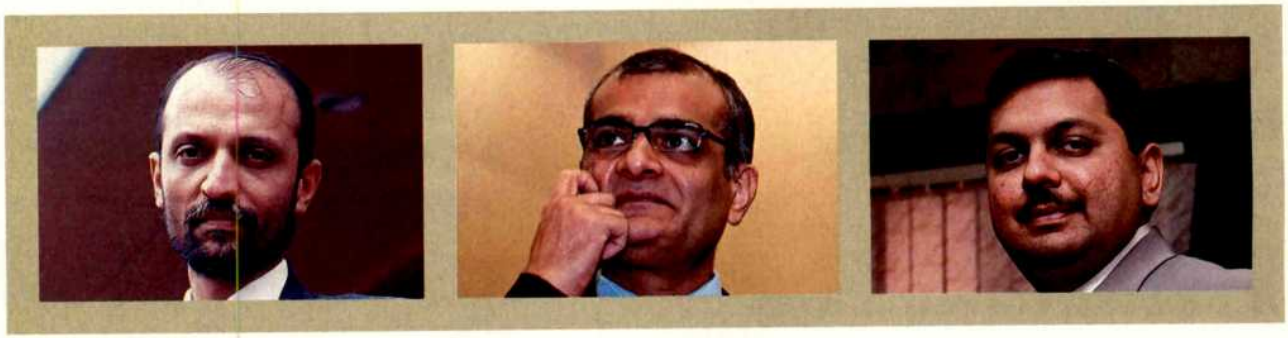
Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list

# Quick Take

# Can Henry Paulson's financial regulatory reforms prevent global financial meltdowns?

**We asked...** Ajit Ranade, Economist, Aditya Birla Group, Charan D. Wadhva, Professor Emeritus, Centre for Policy Research and former Chief Executive, ICRIER, Madan Sabnavis, Chief Economist, National Commodity & Derivatives Exchange, Rashesh Shah, CEO and MD, Edelweiss Capital, Viren Mehta, Partner, Financial Services, Ernst & Young, Gaurav Mashruwala, independent financial planner, Srickant Rajagopal, Assistant Vice-President, SSKI Corporate Finance, Kiran Bhatia, Manager, Monitoring and Investor Relations, Executive Assistant to MD, C International Limited, RPG Group



"The principle that brings entities with greater privileges under more scrutiny is certainly good."

**Ajit Ranade, Chief Economist, Aditya Birla Group**

"A regulatory overview is required, but knee-jerk reactions should be avoided."

**Rashesh Shah, CEO and MD, Edelweiss Capital**

"It is relative since excess doing of anything is bad, that is, both too much and too little regulation."

**Gaurav Mashruwala, independent financial planner**

## Yes 37%

**YES BECAUSE:** The credit crunch, the housing crisis, the prospect of a recession in the world's biggest economy — these are all highly intimidating words for the investor community today. There have never been any means of predicting the markets, something that investors yearn for now more than ever before, as the markets tumble every other day and market valuations of companies go for a toss in the blink of an eye, as it happened with New York-based investment bank Bear Stearns. So, when the prospect of stability through greater regulation arises, many welcome it with open arms. According to some of our respondents, US Treasury Secretary Henry 'Hank' Paulson's "Blueprint for Financial Regulatory Reform", which was announced last Monday, promises to do just that and at the right time too.

## No 37%

**NO BECAUSE:** Some respondents were of the view that more stringent regulations can only be detrimental to the markets. They felt that the prospect of stability gets hampered if market players are always made to operate under the fear of being scrutinised over almost everything they do. Although, Paulson's plan is only at the proposal stage right now and is yet to be cleared by the Congress — which would almost certainly result in at least some changes being made to it — it's just the prospect of having the Federal Reserve in the form of a 'super cop' with a much wider range of financial institutions under its supervisory ambit. "The Blueprint is unbelievably short-sighted, one that sounds the death-knell to the uniquely American bastion of free market capitalism," said one respondent.

## Maybe 26%

**MAYBE BECAUSE:** Some felt that one can't predict how Paulson's plan might fare out. There are several recommendations in his plan that will do definitely prove conducive to stability, and, of course, there are certain recommendations whose immediate or long-term impacts are difficult to assess. Plus, the possibility that changes might be made to the framework by the time the Congress clears it, renders it impossible for some of our respondents to assess its effectiveness. Some were also of the view that it depends on how the markets react to the plan. Even though many analysts have slammed the plan for giving such immense regulatory powers to the Fed, there are certain recommendations, such as bringing entities with more privileges under the scrutiny net, that could be favourable to stability.

# BECAUSE MULTI-TASKING SHOULD NOT BE OPTIONAL.

For maximum productivity, every aspect of your business needs to multi-task. The easiest way to do this is with the new HP LaserJet Multi-function Printers with networking capabilities that let you Print, Scan & Fax^ over the network, bringing convenience and versatility to your business.

Innovative ideas like "Instant-on Copy" technology allows copy jobs to begin in seconds & a revolutionary toner produces outstanding images down to the last page ensuring your business stays ahead of the competition—on multiple fronts. HP. Limitless innovation. Infinite possibilities.

**Win an HP LaserJet MFP every fortnight!**
**Log on to www.hp.com/in/multifunction/bw and take part in an exciting contest.**

HP LASERJET M1522 MFP SERIES

**Rs. 21,599*** onwards

- Up to 24 ppm - print and copy
- Network ready
- Private fax receive and Fax Tel option
- Scan to fax, Scan to e-mail

HP LASERJET M2727 MFP

**Rs. 39,599***

- Up to 27 ppm - print and copy
- Private fax receive and Fax Tel option
- Two-sided printing for both print and copy
- Scan to fax, Scan to e-mail

HP LASERJET M1120n MFP

**Rs. 17,899***

- Up to 20 ppm - print and copy
- Network ready
- OCR software, ID copy

Buy HP CARE PACK to extend warranty to 3 years.

Look out for this assurance of quality.

SMS **"MFP"** to **57575**
Call **1800 4254 999** (toll free, from MTNL/BSNL lines)
or **3030 4499** (from mobile, prefix your STD code)
Visit **www.hp.com/in/multifunction/bw**

*MRP ^Select models only. Conditions apply. The product visual shown may vary from the actual product. © 2008 Hewlett-Packard Development Company, L.P.

# Lessons From Japan

**by bill emmott**

AS THE US SLIDES INTO RECESSION, A LOT OF people are turning to Japan for lessons and insights. This is a welcome change for the world's second-largest economy, which has not been used as much of a benchmark since the heyday of 'learn from Japan' books in the 1980s came to a crashing end with the collapse of the Tokyo stock- and property markets in 1990. Today's lessons, however, are not very comforting for my many Japanese friends, for they are about what not to do rather than what to do. Still, those lessons should be useful not just to the US, but also to other rich and emerging economies that may see financial booms and busts.

**Both the US as well as emerging economies need to learn from Japan's experience of the 1990s recession**

Japan's post-crash stagnation and deflation, known as its 'lost decade', are so recent that you might expect the lessons to be pretty fresh. Yet an interview in the 27 March issue of *The Wall Street Journal* with Hillary Clinton suggests that they have already been forgotten. Clinton is lagging Barack Obama in the Democratic nomination race, but she still stands a chance of winning and even becoming president, which makes it disturbing that she spoke so ignorantly about Japan.

Rightly, she warned that the US must try to avoid a "Japanese-like" situation. But she spoiled that by arguing that Japan's main policy mistake in the early 1990s was to rely too heavily on monetary policy to rescue the economy, rather than adding fiscal and other measures. The truth is the exact opposite.

The collapse in Japan's stockmarket began on the first trading day of January 1990 and continued throughout the year. The property market followed, with a lag. Yet the Bank of Japan did not try to prevent this crash from damaging the real economy by cutting interest rates, as the US Federal Reserve has done recently. Instead, Japan's central bank used its monetary policy as if to make sure that the country's asset-price bubble had truly burst. It carried on raising interest rates until September 1990, and made its first cut only in July 1991. The government's chief response was a huge increase in the budget deficit by increasing public spending.

In fact, the Bank of Japan began using monetary policy as a tool to arrest the country's slump only after deflation had set in towards the end-1990s. Ben Bernanke's Federal Reserve Board has certainly learned that lesson. It has made the most aggressive cuts in interest rates that the US has seen in many decades, has injected billions of dollars into the markets, and has co-ordinated the rescue of Bear Stearns by JP Morgan Chase, taking on $29 billion in risk.

What, then, are the 'right' lessons from Japan's bad experience? The first is to act quickly to deal with systemic risk and to inject liquidity, as the Fed is doing. The second, though, can seem contradictory until you study it harder: it is to let markets work.

Faced with a credit crunch and interconnected financial institutions, the Fed cannot stand back and watch collapses occur. But it must insist on admission by financial firms to their true losses. Japanese authorities tried, instead, to help banks work through their problems by concealing the extent of their losses and avoiding big write-offs. This led to deep mistrust, which forced Japanese banks to pay a 'Japan premium' when raising finance in international markets.

A third lesson applies to the use of public spending. The current temptation, shared by many US Democrats and Congressmen of all parties, is to use public money to buy up home mortgages and mortgage-backed securities, in order to avert more foreclosures and stop the securities from falling further in price. The Japanese experience, however, suggests that like the concealment strategy, this will prolong and even amplify the problem. It would be better if the understandable political urge to help poor, dispossessed people were implemented by providing them with financial support directly, rather than by manipulating the markets for housing and for mortgage-backed securities.

Emerging economies that find themselves confronting a banking collapse or real-estate bust would benefit especially from learning that lesson. Government intervention to avert disaster is essential. But if it is used in a way that prevents transparency, reinforces mistrust and risks rewarding political supporters, it could produce another set of problems.

The best reason for optimism, right now, is that the US system is a transparent and flexible one, in which losses are admitted to, bankruptcies occur smoothly, and entrepreneurs and managers are swiftly able to pick themselves up. The US recession may be painful. But as long as these Japanese lessons are learnt, it should also be short.

---

The author is a former Editor of *The Economist*.
*policyworld.bw@gmail.com*

Parsvnath

CHANDIGARH HOUSING BOARD
A Chandigarh Administration Undertaking

# Development of an integrated IT Habitat at Rajiv Gandhi Technology Park
# A Landmark First Public Private Partnership Project in India

## An Address for Aristocratic Living

Parsvnath Prideasia, Chandigarh is definitely your gateway to live in style. Enter it and feel the privilege with magnificent architectural beauty welcoming you. The joint venture between Chandigarh Housing Board and Parsvnath Developers Ltd. boast of the most enviable location with Sukhna Lake, Golf Club and Rajiv Gandhi Chandigarh Technology Park adjacent to it. Acres of water bodies, inviting greens, fortified malls, grand club house, helipad to descend with pride are all here to compliment your majestic lifestyle. Experience the space created for your pride from a wide choice of 1/2/3/4/5 Bedroom Super Luxury Air Conditioned Apartments, Villas & Penthouses with all conceivable amenities and specifications for a connoisseur's lifestyle.

Parsvnath
PRIDE ASIA
CHANDIGARH
An Address for Aristocratic Living

**SUPER LUXURY AIR CONDITIONED APARTMENTS & VILLAS**

**Construction Started** **Booking Open**

**24X7 Customer Care, Call: +91-11-23811314 or sms PRIDEASIA TO 53030**

- Public Private Partnership Project, a Joint Venture with Chandigarh Housing Board
- 100% Power Backup
- Piped Gas Supply
- Acres of Water Bodies
- Proposed Helipad
- Luxury Club with large Sports Complex
- 3-Tier Security
- School
- Petrol Pump
- Fire Station
- Polyclinic
- Bus Terminal

Aesthetically laid bedroom with modern artistry. Inviting cozy bedrooms to relax like a monarch.

Ultra modern baths for refreshing moments.

Fully functional and comfortable zones to cook your sumptuous cuisines. Enjoyable corners to cook with delight.

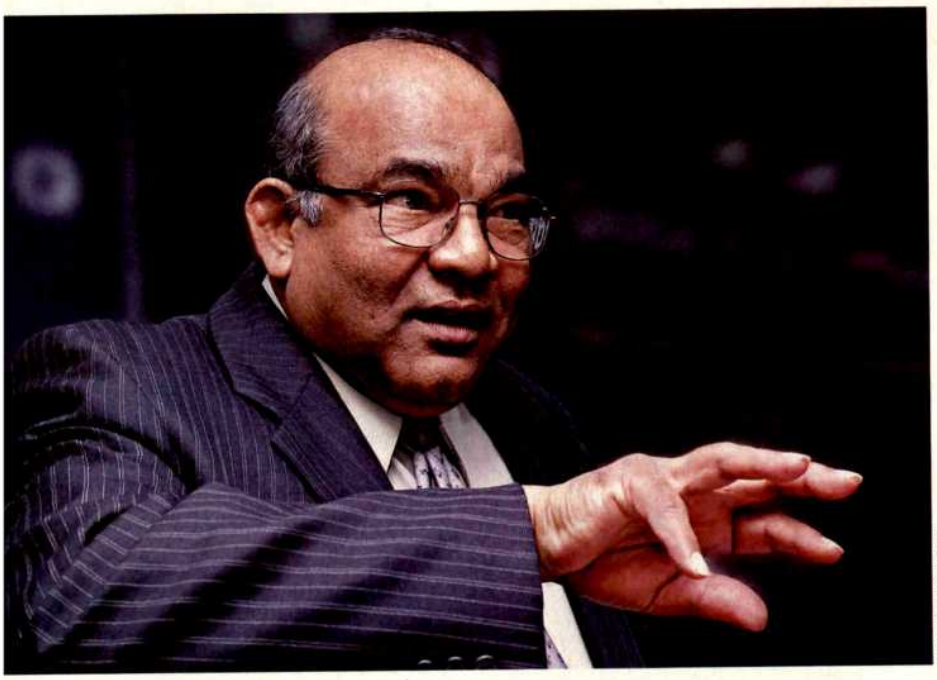
**These are the actual pictures of our 5 bedroom apartment at the site. Visit & mark the difference**

www.reloquick.com

**Parsvnath Developers Ltd.**
Committed to build a better world
AN ISO 9001, 14001 & OHSAS 18001 CERTIFIED COMPANY

**Regd. & Corp. Office** : 6th Floor, "Arunachal Building" 19, Barakhamba Road, New Delhi-110001, Ph.: +91-11-23350120 (Extn.-102), +91-9910038929,+91-9871206982, Fax: +91-11-23315400, **Chandigarh Office** : SCO-1, 1st Floor, Sector-26, Madhya Marg, Chandigarh, Ph.: +91-172-5025301-3, +91-9878988899,**Site Office:** Parsvnath Prideasia, Rajiv Gandhi Chandigarh Technology Park,Chandigarh, Ph.: +91-172-5059333, +91-9915013005, E-mail: residentialsales@parsvnath.com, Visit us at: www.parsvnath.com, www.parsvnathprideasia.com

•Integrated Townships •Group Housing •Shopping Malls •Multiplexes •Office Spaces •Hotels •Serviced Apartments •IT Parks •SEZs •Educational Institutes



TRIBHUWAN SHARMA

# Checks And Balances

**by Raghu Mohan**

**In a poll year, expect only populist measures**

FOR THE UNITED PROGRESSIVE ALLIANCE (UPA)-led government at the Centre, which came to power in May 2004 on the slogan of the *aam aadmi*, the Ides of March seems to be fully upon it. Reason? Annual inflation, which soared to 6.68 per cent in the 12 months to 15 March, can mar its political harvest at the hustings.

The sharp rise in inflation cannot be linked to the base effect as it was at a high of 6.56 per cent on a year-on-year basis even in March 2007. Lehman Brothers' (India) economist Sonal Varma says that rising global commodity prices — food, energy and metals — have put upward pressure on domestic prices. While the price pressure has been relentless across-the-board, it's the sharp escalation in manufactured products' prices in recent weeks that has caused this significant up-tick.

The contribution of basic metal prices to total inflation increased to 22.2 per cent for the week ending 15 March from 5.8 per cent in early 2008, thereby driving the overall increased contribution from manufactured products. "But if we exclude basic metals, then the contribution from manufactured products actually fell to 30 per cent from 53.4 per cent in the same period," says Varma. Union Commerce Secretary G.K. Pillai has made it clear to iron ore miners to come up with a solution to knock down steel prices. "We won't wait for even a month," he told reporters in New Delhi this week when asked for a timeframe. Other categories that have contributed to higher inflation are edible oils, pulses and processed food. The contribution of primary articles (including food) increased from to 26.1 per cent from 21.8 per cent in early 2008.

Yes Bank's Chief Economist Shubhada Rao feels that the speed and intensity with which the headline numbers have scaled up has prompted significant reworking on inflation forecasts for the coming months. "The past two weeks (ending 15 March) have printed ugly inflation numbers with the wholesale price index (WPI) moving up by 1.64 per cent," says Rao.

"What a difference three months can make," says HSBC's economist Robert-Prior Wandesforde. "In November last year, WPI was running close to 3 per cent, well below the central bank's 4-4.5 per cent target. Although not (yet) at a level likely to be triggering panic within policy circles, the pace of increase must be of concern. In our view, a further sharp rise looks probable." HSBC has revised its WPI forecasts upwards to show a 6.2 per cent average rate for 2008-09, and a peak of 6.5 per cent at end-2008.

Yes, the Centre has a problem on its hands. On 31 March, the Cabinet Committee on Prices, chaired by Prime Minister Manmohan Singh, announced a slew of measures to curtail inflation. It cut the import duty on refined oil (sunflower, soya bean, coconut and groundnut) and on hydrogenated vegetable fats to 7.5 per cent (from 20 per cent), on butter and ghee to 30 per cent (from 40 per cent), and on maize to nil (from 15 per cent) for an upper limit of 500,000 metric tonnes. Additionally, it also imposed an across-the-board ban on the export of non-Basmati rice, raised the ceiling on the minimum export price on Basmati exports to $1,200 from $1,000, and extended the ban on export of pulses by a year.

Will the measures on edible oils work? "China and India are the two biggest importers of vegetable oil, together accounting for 30 per cent imports of major edible oils. India is expected to import 15 per cent of both soy and palm oil,"

**ALL EYES ON HIM:** Y.V. Reddy, Governor, Reserve Bank of India

says Standard Chartered Bank's senior economist for India, Shuchita Mehta. "Given the recent rally in edible oil prices and that prices would remain on elevated levels going forward, the heat doesn't seem to be going off."

**All Eyes On Mint Street**

Prior to the announcement of these measures, Reserve Bank of India (RBI) Governor Y.V. Reddy gave his views at an impromptu interview following a lecture by him on the Indian economy at the Indian Institute of Public Administration in Mumbai. In what appeared to be a clear indication of preparing the financial markets for tough measures ahead, he said, "Inflation is unacceptably high. We are very, very concerned. We are in full readiness to take appropriate action to contain inflation." The cash reserve ratio (CRR) — the money that banks keep as a percentage of their deposits with the RBI — is now at 7.50 per cent. In the RBI's armoury, the CRR is the most blunt weapon, and it is clear that it will not hesitate to crank up the CRR to arrest liquidity, and, in turn, inflation. HDFC Chairman Deepak Parekh is on record that he believes so.

"Monetary tightening will increase the cost of capital," says Religare Securities President (Equity) Amitabh Chakraborty. "Foreigners bought for three reasons — pro-investment policy, lower inflation, and high GDP growth. Suddenly, all three premises look uncertain."

The RBI's next review of monetary policy is on 29 April. So, what can be expected at the review? The governor gave a few cues. "Any decision has to be taken carefully as the situation is extremely complicated," Reddy said. "There were many instruments available to contain liquidity, and we will not hesitate to use those instruments."

But there is a fundamental question. Is the current rise in inflation a monetary or a supply-side issue? If it is the latter, how are monetary measures going to curb inflation? Lehman Brothers' Varma is categorical that the rise in inflation is largely a supply-side issue. "While increasing productivity in agriculture remains a long-term strategy, there are supply constraints in the metal sector as well," she says.

Varma is of the view that the RBI will aim to anchor inflationary expectations using the CRR, market stabilisation scheme (MSS) and the liquidity adjustment facility as tools to keep liquidity tight; and that there might not be a repo rate hike as it does not tackle supply-side issues and can slow growth further.

Rao feels that the RBI may allow the rupee to appreciate to limit the damage of easy liquidity feeding into price pressures. "We expect a combination of MSS and a possible CRR hike as the preferred first option by the RBI, with repo rate hike as the last resort," he says. The outstanding amount under MSS now stands at Rs 1,70,000 crore, leaving a headroom of about Rs 80,000 crore.

The MSS helps RBI suck out the rupee liquidity that comes when it buys dollars from banks. It, therefore, auctions Treasury-bills and government securities, which are subscribed to by the banks. The MSS ceiling — now pegged at Rs 2,50,000 crore — is set in consultation with the Ministry of Finance.

It is also likely that the Centre may defer large expenditure and maintain higher cash balances with the RBI in April and May. Prior-Wandesforde is of the view that the Centre, which had shown its hand in the 2008 Budget targeted at the rural poor, will presumably await the verdict of opinion polls and local elections before deciding when to hold the general election; and if further measures are required.

The country waits with bated breath.

*raghu.mohan@abp.in*

**CONTRIBUTION TO CHANGES IN HEADLINE INFLATION**

| Date | 16 Feb '08 | 23 Feb '08 | 01 Mar '08 | 08 Mar '08 | 09 Mar '08 |
|---|---|---|---|---|---|
| Headline inflation | 4.89 | 5.02 | 5.11 | 5.92 | 6.68 |
| Change in headline inflation | 0.54 | 0.13 | 0.09 | 0.81 | 0.76 |
| Food inflation | 0.07 | 0.36 | 0.04 | 0.05 | 0.08 |
| Edible oils | 0.02 | 0.06 | 0.05 | 0.04 | 0.03 |
| Vegetable & fruits | -0.02 | 0.08[2] | -0.03 | 0.05 | 0.04 |
| Non food inflation | 0.15 | 0.07 | 0.05 | 0.70[3] | 0.47[3] |
| Iron & steel | 0.03 | -0.19 | 0.01 | 0.55[3] | 0.27[3] |
| Oil seeds | 0.06 | 0.02 | 0.04 | 0.05 | 0.00 |
| Fuel power light and lubricant inflation | 0.32[1] | 0.01 | -0.04 | 0.03 | 0.20[4] |

1.Fuel retail prices hiked up for petrol and diesel by Rs 2 and Re 1, respectively; 2. Seasonal increase in price of vegetables. Also, this week saw a spurt in price of fish and mutton on the outbreak of avian flu.; 3. Steel prices hiked on increasing input prices.; 4. Increased prices of high speed diesel (especially naphtha, after a 5% duty hike in the Budget) and electricity for agricultural use.
*Change in inflation is week over week
Source: CSO, SCB Global research

**MAJOR INDEX ITEM REVISION**

| Sub-category | % price increase (23-Feb to 15-Mar) | No. of weeks of unchanged index | Main category |
|---|---|---|---|
| Joist & rolls | 34.2 | 185 | Iron & steel |
| Angles, channels & sections | 34.1 | 27 | Iron & steel |
| Billets & slabs | 30.2 | 27 | Iron & steel |
| Blooms | 30.2 | 27 | Iron & steel |
| Skelps | 23.4 | 52 | Iron & steel |
| Foundry pig iron | 19.8 | Regular | Iron & steel |
| Oromild steel & tensile plates | 19.5 | 27 | Iron & steel |
| Rape & mustard seed | 14.4 | Regular | Edible oil |
| MS bars & rounds | 10.8 | Regular | Iron & steel |
| Imported edible oil | 10.4 | Regular | Edible oil |

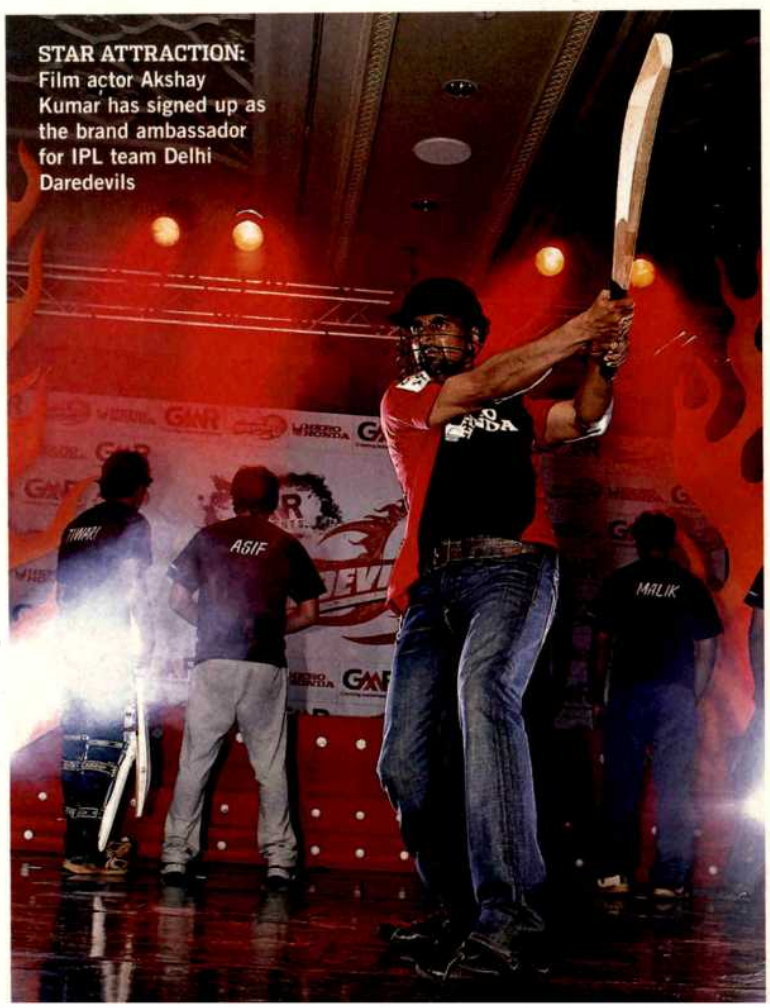
Source: Bloomberg and Lehman Brothers

# Battle Of The Leagues

**by Feroz Ahmed**

## ICL bats on despite IPL's spell on public imagination

IT IS A COINCIDENCE THAT IN APRIL, THE 'REBEL' Indian Cricket League (ICL) marks the first anniversary of its creation and its predator, the 'official' India Premier League (IPL) is going to start its innings. Interestingly, there will be no head-on contest between the two, as ICL's 2007-08 season finishes a day before the IPL starts on 18 April. However, it will become evident by the end of the month whether IPL can make ICL look second rate and push it inexorably towards an eventual surrender. If IPL can fill its stadia of 40,000-100,000 seats (ICL is played in stadia with about 12,000 seats) and pull the TV audience away from prime-time soaps and news to its games, it will have convinced cricket advertisers and sponsors about which league to back.



**STAR ATTRACTION:** Film actor Akshay Kumar has signed up as the brand ambassador for IPL team Delhi Daredevils

Even with a fortnight to go for the first ball to be bowled in IPL, its looming shadow over ICL keeps growing. ICL has already lost its supply of active international stars because of a global ban on ICL players by the International Cricket Council (ICC) and its affiliate cricket boards. Now its access to top movie stars is also getting restricted because of their involvement with IPL. Akshay Kumar has signed up as the brand ambassador for IPL team Delhi Daredevils, and Deepika Padukone has associated herself with Bangalore Challengers. Shah Rukh Khan and Preity Zinta have both bought IPL teams. ICL has managed to get yesteryears' star from Bengal Mithun Chakravarty to buy a minority stake in its Kolkata team to boost its appeal among the Bengalis, but its plans to get Kareena Kapoor and Amir Khan to invest in ICL teams have not fructified yet. ICL officials, however, are unsure whether to thank IPL or to curse it. "Thanks to the huge hype created by IPL about 20-20 cricket, we've had an easier time getting TV viewership and sponsors," says Ashish Kaul, executive vice-president of Essel Sports, ICL's promoter company. Yet, ICL's business head Himanshu Mody regrets that IPL promoter, the Board for Control of Cricket in India (BCCI) has done everything in its power to kill ICL — from copying ICL's concept to denying the use of cricket infrastructure. "They've got everything, yet they are getting after us," he says.

ICL does not look like throwing its wicket away despite intimidatory bowling by the cricket officialdom. Mody hopes to use ICL's round-the-year character to milk the excitement created about the 20-20 game by IPL, which will be limited to 44-60 days a year because of restricted availability of active international players. He also plans to sell teams to franchisees who can add to the appeal of the league or its teams, a la Mithun Chakravarty. "Any cash is welcome," says Mody.

However, it is the eyeballs on television that hold the key to the future outcome of the battle of the leagues. ICL's reach on television has suffered because of distribution problems of its sports channels Zee Sports and Ten Sports. IPL has chosen its broadcaster carefully — Sony's SET Max is widely available on cable networks throughout India. Still, the performance of the stars and the quality of the contests will be the ultimate arbiter. Though it is not quite cricket, a draw is an unlikely result in this contest between IPL and ICL.

*feroz.ahmed@abp.in*

*delighting even our toughest customers*

*"how delightfully thoughtful!"*

Come, discover this refreshing signature experience across 3 great Sarovar brands spanning over 35 delightful hotels pan-India.

SAROVAR PREMIERE
*5 star premium hotel*

SAROVAR PORTICO
*3/4 star business hotel*

Kometel
*Economy hotel*

***Nobody covers India like we do!!! 35 hotels and more...***

SAROVAR
HOTELS & RESORTS

Mumbai: (022) 6635 0800. New Delhi: (011) 2638 3851/2/3/4/5. Bengaluru: (080) 4115 3344/5588/5599.
Chennai: (044) 2826 5566/6644/4488. Kolkata: (033) 2228 7301/0301

**www.sarovarhotels.com Toll Free Reservations: 1 800 111 222**

enzcomm.com

ILLUSTRATION: KISHORE DAS

# All Pain, No Gain

**by Puja Mehra**

**Firms lose sleep over having to account for derivative losses**

BESIDES CAUSING CONFUSION AND APPREHENSIONS, the Institute of Chartered Accountants' (ICAI's) recent clarification about the accounting of derivative losses in balance sheets might also have created the spectre of volatility in corporate profits for FY08. The institute issued a reminder last week that companies should endeavour to follow as quickly as possible the Accounting Standard (AS) 30: Financial Instruments: Recognition and Measurement. AS 30 prescribes detailed rules to account for derivatives in balance sheets. The advisory is not currently binding on companies. Besides reminding companies of the deadlines for AS 30 — to become recommendatory from 1 April 2009 and mandatory from 1 April 2011 — the statement seeks to encourage early compliance.

That, however, does not mean that companies needn't account for their derivatives losses. The clarification issued also ruled that companies not yet ready to comply with AS 30 must, in the interim, "mark-to-market (MTM) all outstanding derivative contracts on the balance sheet date". "The resulting mark-to-market losses should be provided for," explains ICAI President Ved Jain. This is to be done as per AS 1: Disclosure of Accounting Policies, which requires companies to reveal in balance sheets known losses or liabilities they might suffer later. AS 1, which is binding on companies, is rooted in the conservative accounting style of prudence and seeks to keep stakeholders informed of the financial risks to companies even before the threats play out fully.

The diktat — the spirit of which is welcome — has distressed companies, especially those other than the ones listed overseas, which anyway account for derivative losses to comply with the regulatory stipulations of the stock exchanges in developed markets. This is because, while AS 1 only mandates disclosures of known liabilities and losses that could accrue at a later date, ICAI's statement requires companies to go a step further. It needs them to "provide for" the losses. Add to that the view in some quarters that MTM losses (difference between market value and cost price on a date) are a far cry from known losses (to accrue on contract closure or expiry). So, they should not be clubbed with the disclosures under AS 1. "The heart of the announcement is in the right place, but forex derivatives are too complex for unrealised losses from them to be properly measured using the broad principles of prudence under AS 1," says Viren Mehta, director of Ernst & Young, India. In fact, Mehta goes on to say that accounting of derivative losses as per AS 30, which factors in the complexities of these fancy contracts, would entail violating provisions of some earlier ASs, including AS 1.

AS 30 mandates companies to carry the unrealised MTM trading gains to profit and loss (P&L) statements. AS 1, on the other hand, bars that. Thus, profits of a company will be lower if it accounts for its derivative losses under AS 1 than if it chooses AS 30. This, Mehta predicts, may result in sharp volatility in companies' FY08 profit figures. "The profits will be depressed to the extent companies can not factor in their unrealised MTM gains under AS 1," he says. The unrealised gains could be substantial, since every derivative structured to hedge risk on currency and/or interest rate exposures by taking a directional bet on their future prices has both MTM losses and MTM gains at any given time. If the bet on the derivative is in loss, the underlying will be profitable and vice versa. By providing for derivative losses under AS 1, companies will not be able to factor in the gains in their contracts. The government is yet to notify AS 30 because some already notified ASs need amendments to harmonise them with AS 30. The stage seems set for a turbulent transformation of P&L accounts.

*puja.mehra@abp.in*

# DON'T LOSE SLEEP. DREAM OF THE GAIN.

Don't let risks stop your export business from going further. ECGC gives you the confidence to challenge the limits of achievement.

ISO 9001: 2000 Certified
(For Head Office and 49 Branches)

Insurance is the subject matter of solicitation.

ECGC

**You focus on exports. We cover the risks.**

**Export Credit Guarantee Corporation of India Ltd.**
(A Government of India Enterprise)
Express Towers, 10th Floor, Nariman Point, Mumbai 400 021, India.
Tel: (022) 6659 0500-10 • Fax: (022) 6659 0517 • Toll-free: 1-800-224500 • e-mail: mg@ecgc.in • Visit us at: www.ecgc.in

Mumbai: (022) 2657 1993 • Chennai: (044) 2849 1017 • Bangalore: (080) 2558 2576
• Kolkata: (033) 2282 2218 • Delhi: (011) 4150 6409

AR No. 129

EuroRSCG/ECGC/1811/08

# Wooden Dwellings

**by M. Rajendran**

TRIBHUWAN SHARMA

**Can Rs1.5 crore wood houses become a fad in India?**

ONCE UPON A TIME, HOUSES MADE OF WOOD inhabited real spaces and not the glossy confines of lifestyle magazines. The states of Kerala, Kashmir and Arunachal Pradesh, blessed with abundant timber, were particularly known for their refined architectural traditions in wood. Changing lifestyles, environmental concerns and the rising cost of quality wood helped iron, steel and cement replace timber in house building. But if the charm of a wooden house holds a fond place in your heart, Lockwood, a New Zealand-based prefabricated housing company, is ready to cash in on the sentiment. "It's being targeted as a second home," says Ajit Sarin of MacDonald Sarin, the Gurgaon-based real estate developer with an exclusive tie-up to market Lockwood's houses in India.

For an estimated price tag of Rs 1.5 crore, MacDonald Sarin will import blocks of wood carved from Radiata pine, widely found in New Zealand and Australia, to build houses against orders. Six trees, about 25-30 years old, are needed to build a two-bedroom duplex house with bath and porch, on 2,100 sq. ft of land. Sarin says that a substantial part of the cost arises from the 37 per cent import duty that prefabricated wood attracts. "We expect to build less than a hundred houses a year at this cost."

The concept finds supporters for other reasons as well. "In India, municipal corporations across the country control building and construction-related activity," says Puneet Gupta, managing director of Tivoli Holiday Village near Delhi. "Wooden homes are definitely welcome as one can build them with ease and dismantle them when required. It's screwdriver technology. You can build them faster than conventional homes. China is a good market to import good, cost-effective wood."

Lockwood claims that all trees cut for building are from plantations in New Zealand that are replenished even before they are logged. Since the timber is imported from New Zealand, environmentalists are not particularly alarmed. "Countries such as New Zealand use trees for housing on a sustainable basis," says R.K. Pachauri, chairman of the Nobel Peace prize-winning Intergovernmental Panel on Climate Change. "If the wood is to be procured from India, then it is a cause for concern."

Meanwhile, Lockwood is also looking at the possibility of building wooden houses for earthquake and cyclone affected areas. "The walls can withstand wind speeds of more than 160 kmph," says Roger Gurnsey, general manager of Lockwood. The promoters also claim that wood from New Zealand's rain forests are not used in the production of Lockwood's wooden block 'systems'. This could be deceptive semantics. While Pachauri agrees that the initiative might be ecologically fair in spirit, Kinsuk Mitra, president of Winrock International India, points to the dangers of deforestation. "Timber requirement is huge for such activities."

The beauty of wood tends to mute its flaws as a contemporary building material. "The impact on environment is critical, but wood looks the best, at all times; it looks modern in any century," says Tanya Kataria, first year student at the Sushant School of Architecture in Gurgaon. "But both [the environmental concerns and the aesthetic appeal of wood] are important," Perhaps it is just as well that most Indian home buyers are unlikely to be able to afford choosing one over the other.

**TOUCHWOOD:** The beauty of wood tends to mute its flaws as a contemporary building material

*m.rajendran@abp.in*

# Mission-critical networking at

# 1,314,720 feet up

**ProCurve. Reliable enough for the International Space Station, but just as dependable here on Earth.**

No matter your size or location, we can keep your organization up and running to meet your goals and innovate—through proven and dependable networking solutions. We're able to provide optimal performance for your business by offering a lifetime warranty,* along with 24/7 support. And, when you're closer to home than the International Space Station, we also offer next-day parts replacement in most parts of the world.

**"We chose ProCurve because we knew they could handle the rigors of space."** *—Rolf Schmidhuber, EADS System Technology Leader*

Read our free case study at **procurve.com/ISS** or e-mail us at **procurveindia@external.groups.hp.com**

**ProCurve**
Networking by HP

Contact us: 080-25041844 | Toll free: 1-800-4254999 / 30304499

*For as long as you own the product, with next-business-day advance replacement (available in most countries). The following hardware products and their related family modules have a one-year warranty with extensions available: The ProCurve Routing Switch 9300m Series, ProCurve Switch 8100fl Series, ProCurve Access Control Server 745wl and the ProCurve Network Access Controller 800. Stand-alone software may have a different warranty duration. For details, refer to the ProCurve Software License, Warranty and Support booklet at: http://www.hp.com/rnd/support/warranty/index.htm

© 2008 Hewlett-Packard Development Company, L.P.

# Emotion

by K. Yatish Rajawat and Sumati Nagrath

WE HONK INCESSANTLY at traffic lights, weep uncontrollably at weddings and funerals, burn effigies of cricketers when they fail to perform, and applaud with abandon when the hero executes a gravity-defying stunt. We are, without doubt, an emotional people. And, we don't shed our emotional layers before entering our workspaces. Instead, we cloak them under pinstriped suits and use laptops and corporate-speak to draw attention to our more 'rational' side.

The truth is that we all sit somewhere on the emotional-rational continuum, which, of course, need not necessarily be a bad thing. C.P. Gurnani, CEO of Pune-based telecom company Tech Mahindra, feels that is precisely because of our innate emotionality that we can, and often do, build successful professional and personal relationships with our colleagues. So, being emotional is in itself not a negative. But being emotionally immature is quite another matter.

"The sign of emotional immaturity is when a few words can trigger an extreme and unwanted reaction," says management guru Ram Charan. He adds that emotionally immature people are often know-it-alls and tend to "react defensively to any negative feedback".

*BW* commissioned Mumbai-based corporate training firm Aptech to conduct a survey to gauge the level of emotional maturity among different strata of managers. Trainers of managers at entry, middle and top level conducted in-depth interviews with 128 managers in Delhi, Mumbai, Bangalore and Pune. While 40 per cent of the respondents felt that younger managers do not display emotional maturity, 32 per cent thought that their senior managers were incapable of being mentors.

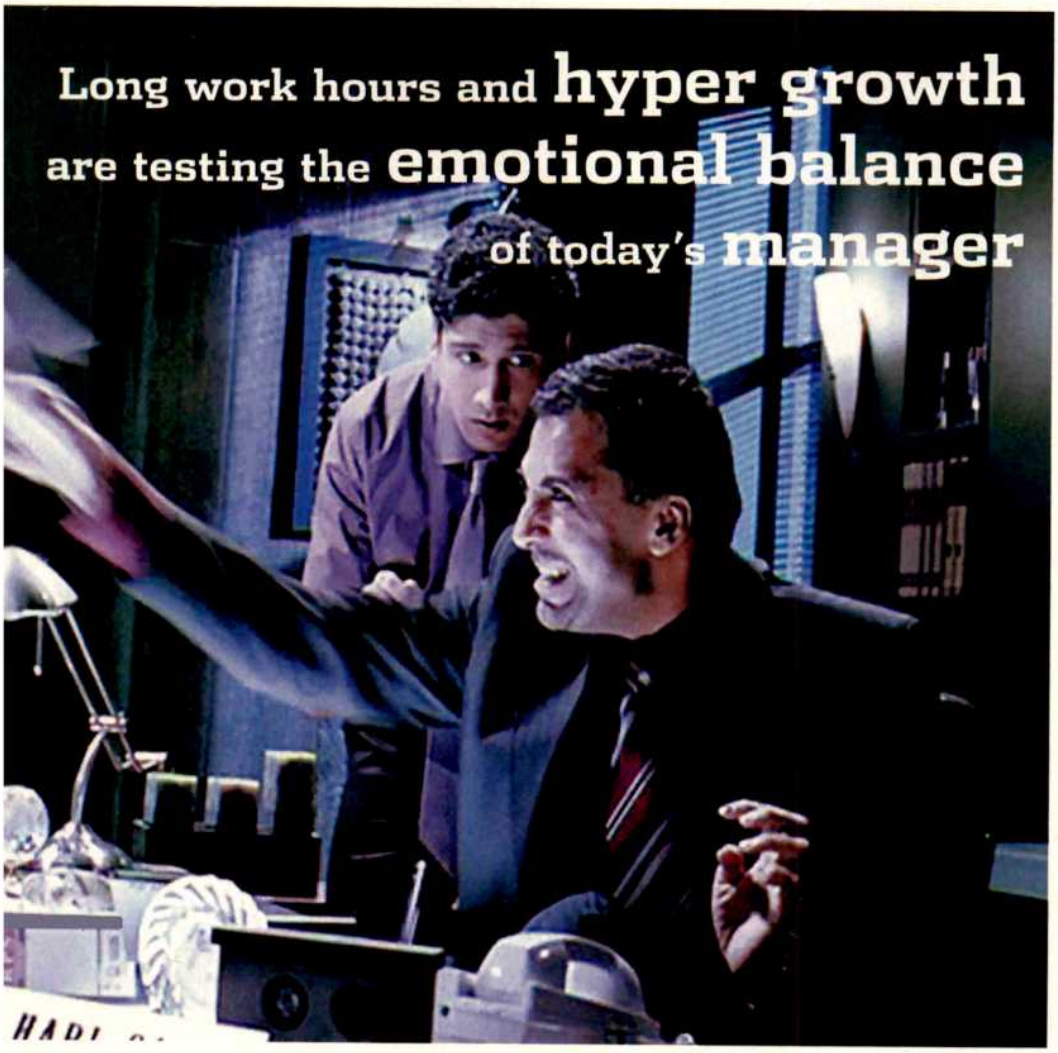
With companies growing at unprecedented rates, they are hiring younger employees, fast-tracking their careers, paying them sky-high salaries and setting them ambitious targets. In such a scenario, managers are finding themselves in a double-bind. For one thing, they are confronted with a workforce that is inexperienced, insecure and emotionally immature. For another, because many of the managers have themselves been elevated to designations that far outweigh their experiences, they lack the maturity to effectively handle situations, explains Bindu Khosla, director of i-Quotient, a

COURTESY: NAUKRI.COM/FCB ULKA

**EXECUTIVE SUMMARY**

- **Emotional immaturity affects the work-life balance. It contributes to high levels of stress and fuels attrition**
- **To an extent a cultural problem, it can be addressed with appropriate training. Many companies are now training their staff to tackle emotional immaturity**

# lly Correct




**PRIMAL INSTINCTS**
The angry, irrational and volatile character of Hari Sadu epitomises the emotionally immature manager

Delhi-based consultancy outfit that specialises in training for IT and ITeS companies.

Today the average employee has become hypersensitive to criticism, immune to feedback and takes the current economic growth for granted. Besides, he is willing and able to switch jobs with relative ease.

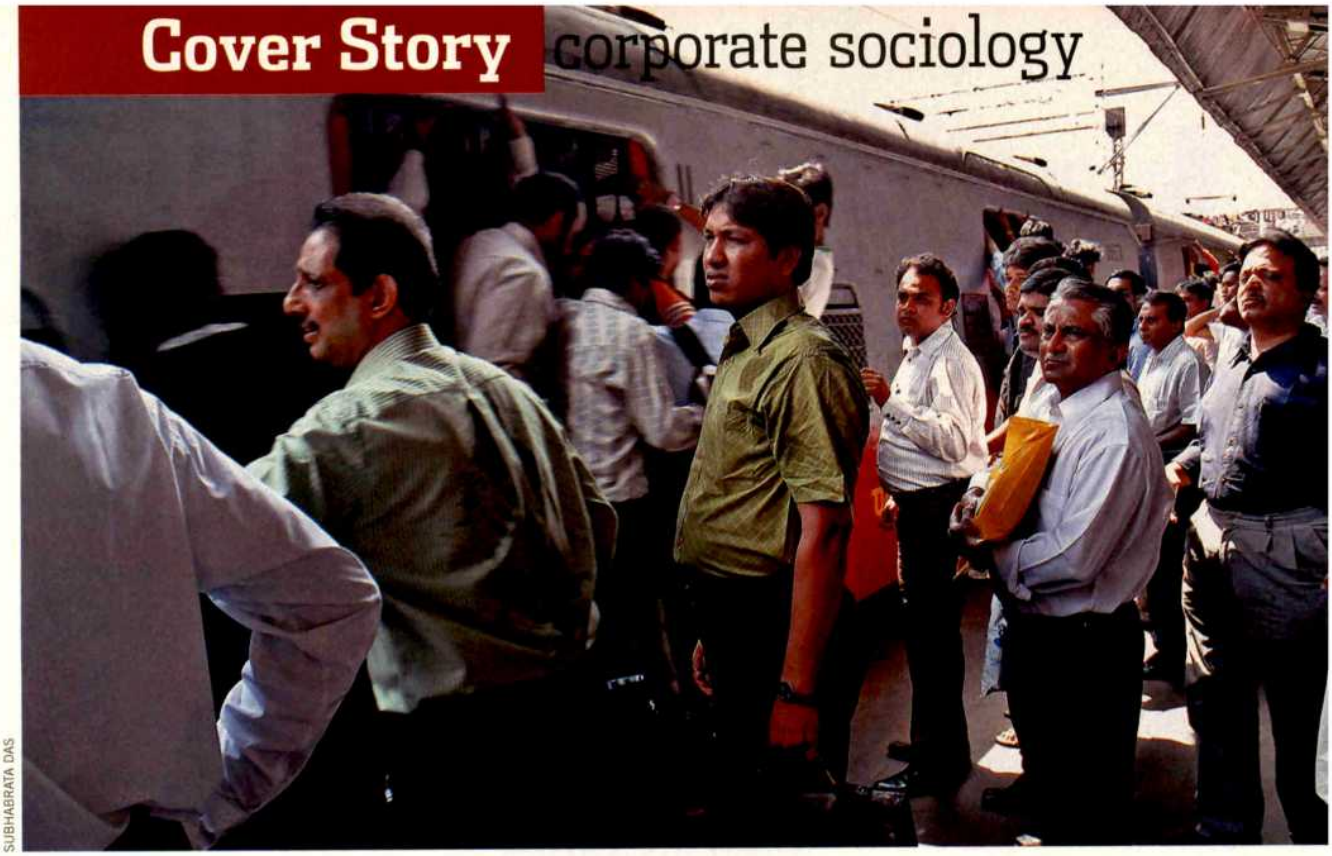
Though age is an important variable, clearly there are other, larger factors involved in determining a person's emotional maturity. India is a country of acute contradictions. We are at the cutting edge of technology; our companies are acquiring international brands; our elite educational institutions train some of the best minds in the world. Yet, we are not totally at ease with ourselves. Today there is a "clash between traditional values and modern, work-related ones", says Susan Visvanathan, professor of sociology at Jawaharlal Nehru University in Delhi.

Over 200 years of colonial subjugation has

## Burning Out

Are managers able to maintain a work-life balance?

Source: BW-Aptech survey



SUBHABRATA DAS

**A ROUGH RIDE** Lack of adequate public transport infrastructure compounds stress levels

taken its toll on the national as well as the individual psyche. As has the trauma of the Partition. The indignity suffered during those moments is kept alive through corporal punishment. The loss of critical thinking continues to be perpetuated by an educational system that insists on learning by rote.

Today's average manager is also burdened by the present. Overcrowded public transport, inadequate infrastructure, lack of personal security, housing shortages — all take their toll. In addition, "managers are called on to shift according to the needs of the company", says Visvanathan. "Sometimes, this new, cerebral work force, with its wonderful training and degrees, is treated as if it had no identity". Constant uncertainty is coded into their DNA.

## Learning To Learn

Does training help increase productivity?

Source:BW-Aptech survey

### The Cracks Are Showing

When he walks into the workplace, the manager is already burdened by deep-rooted insecurities. Once in, he is expected to manage teams with high emotional immaturity to help both his firm and the nation retain the competitive edge. Working impossibly long hours and often at his wit's end trying to meet targets and retain staff, his work-life balance has gone for a toss. He is tired and he is stressed. He is fragile, and beginning to crack under pressure.

According to a 2007 report by consulting firm Grant Thornton, Indian business leaders are among the world's most stressed out employees, working almost 57 hours a week. Stress levels are further heightened when managers lack the maturity to handle it, says Khosla.

Emotional immaturity — the inability to respond rather than react to situations in a measured and appropriate way — is affecting not just individuals but is also negatively impacting organisations. "Emotional immaturity can charge the political environment in the organisation," says Pramod Bhasin, CEO of India's largest BPO company Genpact. "Most leaders don't confront this issue as they don't realise that it cuts down productivity by more than 50 per cent. It most certainly reduces the speed of the organisation to execute or implement."

Not all companies are oblivious to the impact of emotional immaturity. "Organisations, especially in the services industry, are fast realising that emotional maturity is critical to address burning issues of this era — high stress and attrition levels," says i-Quotient's Khosla.

Emotional immaturity, which further compounds the fragility of today's manager, plays itself out in a number of ways in corporate India.

### Cutting The Umbilical Cord

Fed up with his colleagues moaning over trivial issues, the CEO of the Indian arm of a relatively large multinational company placed a box of diapers outside his door with a sign that read, "If you want to whine and cry, then wear these." The act made some of his team members appreciate that he was basically just asking them to "grow up and start acting as adults".

Used to being infantilised by our patriarchal family structures, a patronising State and outmoded educational system, we find it hard to take on the responsibility of making decisions. "We are used to being instructed rather than coached," says Lav Kumar Shelat, the group vice-president for human resources at Delhi-based conglomerate Avantha, who has worked in Canada and Singapore earlier. "I've tried coaching people here, but have found that we are just not used to the whole concept." The reason is that subordinates and supervisors across corporate India tend to operate in the "parent-child-mode," says Khosla. Supervisors prefer to instruct and subordinates like to be instructed.

Bhasin has developed his own way of breaking this parent-child mode. "I often find myself telling my team, 'Do I look like your mother?' It helps most of the time," he says half jokingly. Whatever its roots, the reason we continue to operate in this mode is two-fold. On the one hand, those who are to be mentored are understood to operate best under an instructive regime. On the other hand, several managers who are in positions of being mentors are seen as incapable of fulfilling that role.

Take the case of a mid-level account executive who has now been with one of India's largest ad agencies for close to two years. "Every time I have tried to go to my boss to ask for advice, he has yelled at me and belittled my intelligence," she says. She now turns to her team for help, "who are very generous with ideas and solutions". The team could just as well function without the boss, she adds.

"What we have is a classic case, where a manager either simply does not possess the skills, or is unwilling to share his knowledge because he lives in a constant state of fear that someone else will take his job away," explains Alka Bakaya, founder of RED Corporate training. This, says Khosla, prevents managers from raising their team members "to an adult ego stage where they are empowered enough to make decisions and take responsibility for them".

Recognising the fallout of speedy rise of young executives up the corporate ladder, the industry despite being "hungry for new young talent" is searching for "capable vintage talent to lead these dynamic managers", says Sudhir Narang, managing director of BT India. "There is a shift away from hiring young 30-somethings as CEOs towards people in the mid-40s." However, CEOs from hospitality and BPO industries — where the problems of stress and attrition are probably the highest — justify the presence of younger managers. Neeraj Bhargava, CEO of Mumbai-based WNS Global Services, has several 20-somethings heading various operations successfully. "The high energy levels, the positive attitude to achieve and excel, the passion to learn far outweigh any risks typically associated with young age," he says.

However, emotional maturity is seen as an indispensable trait by most business leaders when appointing top managers. "The candidate who displays high levels of emotional stability definitely has an edge," says Sanjeev Goenka, vice-president of Kolkata-based RPG Group. "When conducting a reference check, we try and gauge how his subordinates react to him, and whether he is capable of bonding with them and motivating them." Emotional stability, then, is an essential leadership quality.

Like several other Asian cultures, ours too is one that is driven by personal equations rather than professionalism. An intense and complex relationship with one's immediate supervisor is not surprising. In fact, *BW*'s survey revealed that dissatisfaction with the immediate superior was one of the top three reasons why people left their jobs (the other two being money and lack of a conducive work environment). But while immediate supervisors can make an employee's life hell, they can also become the reason why people stay back. Either way, it shows

## Pointing Fingers

Out of the people you have interacted with, how many should undergo training on emotional maturity?

Source:BW-Aptech survey

**GAMEPLAY** Managers need to negotiate for their play time too

VIDURA JANG BAHADUR

## Unwilling Listeners

How well do people receive feedback?

Source:BW-Aptech survey

that employees are more attached to their superiors than the organisations they work for.

"In the past 15 years I've changed three jobs, and each time I've taken my core team with me," says the creative director of a leading events company. His reasons for doing so are quite clear — they understand his method of working and he doesn't need to spend any time in the new organisation "putting together a team and getting them to work with me in tandem". That explains his motivations. Why do the others move with him? "They are committed to me, and know that I can take their career forward," he says.

How often have you seen a top manager, leaving a company to either join another organisation or start his own enterprise and taking his entire reporting team, leaving behind a gaping hole. The top management, then, scrambles to find suitable replacements at all levels. "Today most employees feel that the only person who can further their career is their boss," says Rajeev Vasudeva, partner at Egon Zehnder International, a recruiting firm. "This is an organisational failing, where it is unable to provide employees with opportunities and environment for growth and fulfilment."

### Big Egos, Thin Skins

"I spend more than 20 per cent of my time managing the egos of my CEOs," says one of the country's leading industrialists. And he's not happy doing so. Often employees are unable to separate their designation from their personal identity. A differentiation that is crucial for smooth functioning of operations. As that is when criticism of one's work is not taken as criticism of one's personal self. "I think, culturally, Indians generally find it hard to separate their personal and professional selves," says Khosla.

Many managers derive their sense of who and what they are from their job designations as printed on their visiting cards. Companies, of course, take advantage of this emotional immaturity and dish out fancy titles that may hint at power that the owner of that title may simply not have. This is particularly true of MNCs in India, who give their senior-most member a designation of managing director or even chairman, while the internal designation may be that of a vice-president or even a general manager.

H.S. Bedi, chairman of Delhi-based Tulip IT Services, finds that he, too, spends significant time managing the egos of some of his star employees who "can't handle negative feedback". His is an exceptionally common problem. Business leaders across sectors find employees highly resistant to receiving feedback. *BW*'s survey results were consistent with this observation. Seventy one per cent of the respondents maintained that people receive feedback negatively and added that sometimes people respond rebelliously when offered feedback.

Ranjini Manian, CEO of consultancy firm Global Adjustments in Chennai, warns global firms coming into India about this. In her overly simplistic book, *Doing Business in India for Dummies*, she says, "As a Westerner, you may be inclined to play things down when evaluating an Indian employee's performance, giving an outstanding employee, say, a 2 on a scale of 1 to 5 (where 1 is the top score). But that may demotivate your Indian employees... Put simply, they take it hard."

While the ability to receive feedback is certainly under question, giving constructive feedback also needs to be looked at. Talking about the low levels of accountability in India, RPG's Goenka says, "As a nation, we accept excuses from non-performers."

For Khosla, Indian managers' inability or unwillingness to deliver bad news and a desire to avoid confrontation are big stumbling blocks in giving honest feedback. While Egon Zehnder's Vasudeva finds that "rather than planned and constructive feedback, managers tend to yell it out in corridors, making the subordinates fearful and defensive". Bakaya highlights another nuance when she observes that very high

GOURMET GOOGLE
The company has chefs prepare fresh food for its Bangalore employees

VIDURA JANG BAHADUR

TRIBHUWAN SHARMA

**METAMORPHOSIS**
**Using training to inculcate emotional maturity in employees works**

attrition rates in certain sectors mean that managers are shying away from giving feedback, terrified that their team members will quit at the slightest hint of criticism.

In sum, this means that employees are unable to improve themselves and thereby prevent the organisation that they work in from growing.

## Taking A Toll

"Today the stress levels are quite high and people are burnt out by the time they hit their mid-30s," says BT India's Narang. Diseases such as heart attack, stress-related diabetes and hypertension are pervasive among young professionals. And cases of depression are at an all-time high among this group. Personal lives are in complete disarray, with most managers unable to find time for their families.

"I quit working six months ago. It literally boiled down to choosing between having a career or saving my marriage," says a former banking executive. "The pressure to meet targets was immense and I was working long hours all the time. As a result, I kept pushing back the decision to have children." One day, it all came crumbling down for this 33-year-old. "I wasn't living the life I wanted to live, my husband and I were drifting apart and all this just wasn't worth it," she says.

*BW*'s survey showed that over half the respondents were struggling to manage a healthy work-life balance. Yet, many companies seem to believe that the ability to successfully balance work and life boils down to the individual. Varun Dhamija, senior operation manager of Delhi-based BPO company Convergys, says, "Maintaining work-life balance is more of an individual trait." Agrees Bhargava, "The concept of work-life balance is very individual-dependent. The notion that an organisation will help you bring about a balance between work and life is wrong."

But there are other who acknowledge that the organisation has a huge role to play in helping employees maintain a healthy work-life balance. Some companies, such as Delhi-based fashion house Genesis Colors, have taken concrete steps in this direction. Sanjay Kapoor, the company's managing director, says, "We let people in managerial positions have relatively flexible work time-tables." This, he says, helps reduce stress levels among employees and, in turn, increases the team's performance levels.

While there are no quick-fix solutions to this endemic and widespread problem, appropriate and timely training is seen as an effective tool. However, not many seem eager to attend training sessions on emotional maturity. While 86 per cent of the managers surveyed felt that training helps increase productivity, only 40 per cent said that they would attend a training session on emotional maturity. Ironically enough, 79 per cent of the respondents felt that all people they have interacted with at work should attend those very sessions.

Those companies that have encouraged employees to undergo training on emotional maturity have observed a difference. "Training also helps managers get important coaching messages across subtly and without causing offence," says Dhamija of Convergys.

As our economy matures, so should we. While training and organisational restructuring can help, they can ultimately only be a stopgap solution. For us to be effective managers in a global economy we have to start at the very beginning — in our homes and in our schools.

*yatish.rajawat@abp.in*
*sumati.nagrath@abp.in*

## Equipped To Lead?

Do you think your senior managers are capable of mentoring?

Source: BW-Aptech survey

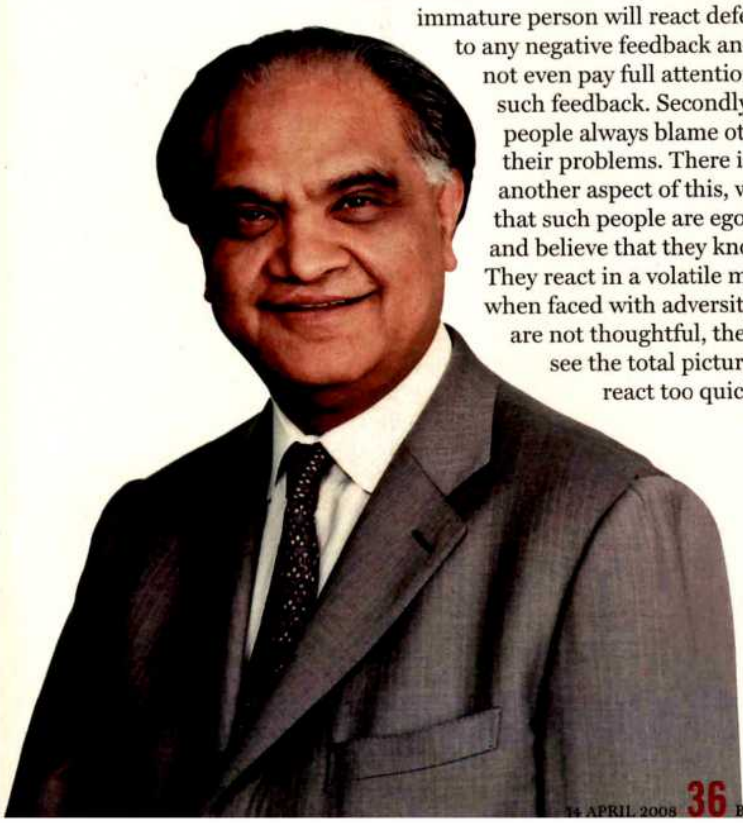
# 'Cultivate Trust'

— Ram Charan
Management Consultant

**RAM CHARAN, A MANAGEMENT CONSULTANT FOR more than 35 years, has been an advisor to CEOs such as Jack Welch and Jeffrey Immelt of GE. He is the coauthor of *Execution: The Discipline of Getting Things Done* and many other well-known books. These days, he mentors several Indian CEOs and business owners. One of the areas that he coaches them on is cultivating a higher or better level of emotional maturity in their professional lives. He speaks on the subject to *BW's* K. Yatish Rajawat. Excerpts:**

**Q: How would you define emotional maturity?**

**A:** Let me begin by what it [emotional maturity] is not, to help you understand its meaning. The sign of emotional immaturity is when a few words can trigger an extreme and unwanted reaction. An emotionally immature person will react defensively to any negative feedback and will not even pay full attention to such feedback. Secondly, such people always blame others for their problems. There is another aspect of this, which is that such people are egotistic and believe that they know it all. They react in a volatile manner when faced with adversity, they are not thoughtful, they can't see the total picture, and react too quickly.



**Q: Any difference in emotional maturity between Indian managers and their global peers?**

**A:** Emotional maturity or the lack of it is not an Indian issue. It is a manifestation of an individual's experience and background, which shapes his personality. While there is cultural context to its presence, it's not limited by it. But I do see people in India hiding this weakness of theirs very well.

**Q: How does emotional maturity of leaders affect execution in an organisation?**

**A:** Leaders who are emotionally immature build a sense of fear among their colleagues and subordinates. Subordinates are afraid of the unpredictable nature of their leader. This can affect decision making. Such leaders also cultivate a culture of favouritism. It can lead to wrong resource allocation because the leader might appoint a favourite person to head a particular business instead of the most capable one. Overall, the execution will suffer.

People tend to protect themselves from leaders who are emotionally immature and they never convey the true position to them. This was a huge problem in the 1960s and 1970s in the US, when we had corporate leaders who would scare their own employees. Employees would gauge the mood of these leaders from their secretaries and then go and meet them. Or they would go through one or two friends that these emotionally immature leaders had in the company or outside. Imagine a coterie being the bottleneck for information or communication for a leader.

**Q: How should leaders inculcate emotional maturity among their employees?**

**A:** This can be done with feedback. When you see your employees reacting too quickly or emotionally to situations or problems, then you should correct them. You should ask them to think it over and then react to it, instead of jumping into decision mode immediately. Moreover, leaders need to distinguish between an emotional person and one who is just voluble.

**Q: How do you make sure that feedback is accepted?**

**A:** It's important for the leader to cultivate trust and a relationship that shows he cares. Chances are that feedback will be accepted only when the employee feels it's in his best interest.

*yatish.rajawat@abp.in*

ELGI
Think Long Run

# AIR POWER that acts infallibly in both.

A TOOTH CAVITY OF 4 mm DEPTH

AN OPEN CAST MINE OF 400 m DEPTH

## ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

- Textiles
- Power
- Cement
- Construction & Mining
- Pharmaceuticals
- Food & Beverages
- Leather
- Automotive
- Engineering
- Chemicals

**Oil-free Rotary Compressors**
**Oil-flooded Rotary Compressors**
**Portable Rotary Compressors**
**Oil-flooded & Oil-free Reciprocating Compressors**

## ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

**Branch Offices:** Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

**Overseas Offices:** Bangladesh · China · Indonesia · Kenya · Malaysia · Middle East · South Africa · Sri Lanka · Thailand

**Toll Free Customer Care Number 1800 - 425 - 3544**

iB&W/ELGI/08/07

BLOOMBERG

# Quick Fixing What's Broke

**by Srikanth Srinivas with Uttara Choudhary in New York**

**Overhaul of financial regulatory framework of may take US years**

IN CRICKETING TERMS, US TREASURY SECRETARY Hank Paulson just bowled a wide ball with his plan to overhaul the US financial system. Senator Christopher Dodd of Connecticut called it a "wild pitch" that wasn't even close to the strike zone (anywhere close to the wicket, in cricket). The US Treasury Department's Blueprint for a Modernised Financial Regulatory Structure — more popularly known as the Paulson Plan — proposes the most comprehensive changes to the regulations governing the US financial system since the 1930s and the Great Depression.

But why now? One commentator likened the US financial system to a nuclear reactor of Chernobyl-type design: powerful, one that can light up whole cities and "very attractive when you are sitting in the dark". It works well most of the time, but structural weaknesses, flaws and inconsistencies all add up to an accident waiting to happen. And when it does, it is usually a disaster, as it did with the collapse of the sub-prime mortgage market setting off depth charges that came close to sinking several institutions.

**BALL IN HANK'S COURT:** It remains to be seen whether Paulson (left) will aim in the right direction

The plan seeks to restructure regulation of the entire financial system. In principle, it seeks to rationalise a fragmented system of several regulatory agencies covering different segments of the US financial markets into just three: a Prudential Financial Regulatory Agency (PFRA), a Conduct of Business Regulatory Agency (CBRA) and, sitting above both of these, the US Federal Reserve (Fed).

But, as Paulson himself acknowledged, the plan is not aimed at the current problems being faced by various financial services companies. "Covering the entire sector is a useful objective," says Chip MacDonald, who is a capital-markets partner at global law firm Jones Day. "But, it is unclear where people with the expertise needed to cover some segments of the system are going to be found. There are very bright people at the Fed but they are not set up to be a securities cop."

## An Idea Whose Time Is Yet To Come

Finding the right people may be among the least of the concerns. Already, the proposed plan has drawn criticism from across the spectrum: from securities firms, investor advocates to members of the US Congress. Some compare it to the Bush administration's creation of the Department of Homeland Security, which merged 20 or so federal agencies into the new Cabinet level office. "Government agencies are very easy to create, but they are not easy to eliminate," says Amit Bhatiani, portfolio manager at Duma Capital, a Wall Street hedge fund.

Most importantly, financial services industry lobbyists point out that the plan is not what the system needs right now, and in an election year, the politicians agree. The plan does nothing for the hundreds of thousands of house owners ruined by — or on the verge of being ruined by — the collapse of the housing price bubble.

And what's more, the Paulson Plan is not exactly new. The study on which the Treasury Department's blueprint is based was commissioned a year ago, well before the mortgage market meltdown. Many of the ideas in the plan have been under discussion for years. What started out as an effort to streamline oversight of global markets was forced by the mortgage and credit market crises into a response to address current conditions in the US markets.

The blueprint has three sets of recommendations — short-term, intermediate-term and others for what is defined as an optimal regulatory structure. The short-term recommendations address some current issues, while the intermediate ones are part of the transition to the optimal structure. So is the blueprint more of an agenda for discussion rather than an actionable document? It seems to be.

**The Plan In Brief**

As a first step, the Paulson Plan suggests expanding both the membership and scope of the President's Working Group on Financial Markets, or PWG, that was set up after the stock-market crash of 1987, chaired by the Secretary of the Treasury. Its membership currently includes the Fed, the Securities Exchange Commission (SEC) and the Commodity Futures Reading Commission (CFTC).

The PWG has functioned as an inter-agency coordinator of financial market regulation and policy issues. The proposed new members: the Office of the Comptroller of Currency (OCC) that regulates the nationally chartered banks, the Office of Thrift Supervision (OTS) that regulates mortgage lenders and savings and loans banks, and the Federal Deposit Insurance Corporation (FDIC) that examines and supervises institutions accepting public deposits.

Second, the Paulson Plan calls for the creation of a Mortgage Origination Commission, ostensibly to rationalise the raft of state regulations and fill the gaps by creating federal-level regulation. But the authority to draft new regulations for national mortgage -lending laws remains the preserve of the Fed.

Third, the liquidity provision by the Fed to non-bank institutions, mainly investment banks and securities firms, should allow them to be subject to Fed examination.

Then there is the consolidation — the summary of the intermediate recommendations. They suggest that four members of the revamped PWG be merged: the SEC and the CFTC (perhaps as the prototype of the CBRA), and the OCC and the OTS, once again reducing membership to four. At this stage, the plan says, it might be appropriate to let insurance companies be regulated at the federal level, rather than be subject to regulations by 50 states.

Finally, there is the optimal regulatory structure of having just three regulators at the apex: the Fed, the PFRA and the CBRA. Many wonder if this follows the practice of other countries, mainly the Netherlands, Australia and the UK's Financial Services Authority, or FSA.

Not everyone believes that this is the way to go. Anthony Sabino, a professor of law and business at St. John's University, says, "The cataclysmic mistake is that if you eliminate so many 'eyes' that monitor the markets, and the single 'eye', no matter how super, misses something, then catastrophe." Perhaps even the kind that such a system was set up to prevent.

## THE REALITY AND THE PLAN

- **Existing flaws in the US financial system make it susceptible to disasters from time to time.**
- **The Paulson Plan seeks to restructure regulation of the entire US financial system.**
- **But it's not aimed at the current problems being faced by various financial services companies.**
- **Financial services industry lobbyists say the plan is not what the system needs right now.**
- **It's unclear whether many of the ideas will remain part of the plan when its implementation begins.**

**But Will It Work?**

So, will the Fed as the super regulator — the biggest 'eye', so to speak — be effective? Not many are happy with this idea. It is not clear to many whether the responsibility of managing systemic risk sits well with the Fed's objectives of price stability and full employment. Others worry that this also takes away some of SEC's responsibilities and, perhaps, even weakens it.

Congressional leaders have not been particularly charitable about the role the Fed played in the crisis. Given the Fed's slowness to understand what was already happening — the creation of exotic securitised products, for instance — and the banks under its jurisdiction, critics point out that giving it super powers would make little sense.

"It does not make sense to give a bigger shovel to the very people who helped dig us into this hole," as Senator Dodd put it, voicing the concerns of his colleagues.

"We think the plan is unworkable, unwise and fortunately, unlikely to happen because there are so many hoops to jump through to make this happen," John Hall, a spokesman for the American Bankers Association, told *BW*.

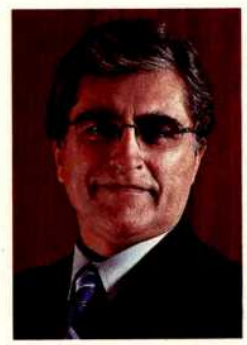
Most experts feel it would take years of debate and political wrangling — in the Congress, on the Wall Street, and in the state legislative houses — to implement all the changes envisioned by the Paulson Plan. It is not even clear whether many of the ideas will remain part of the plan when the implementation begins. Perhaps, the extra ball that follows Paulson's wide will be better directed and closer to the mark.

*srikanth.srinivas@abp.in*

# Endless CASsing

**by gurbir singh**

THE SPOTLIGHT IS ONCE AGAIN ON THE MOST disorganised and chaotic area of the broadcasting world — the distribution system that includes thousands of cable operators and dozens of nodal multi-system operators (MSOs), the big networks. Information and Broadcasting (I&B) Secretary Asha Swarup said at the recently-concluded Ficci conclave —Frames 2008— that the government was planning to bring order to the chaos by extending conditional access system (CAS) to 55 cities over the next three years. The MSOs, which control the cable distribution hubs, have also been demanding that, as a first step, the 'last mile' imbroglio and the failure to get subscribers to pay up be addressed by extending CAS to the uncovered areas of the major metros. The I&B ministry has hinted that a notification might make this possible by 1 November this year.



**Resistance from consumers notwithstanding, it is only a matter of time that CAS will be implemented**

For most, CAS spells confusion. After endless debates, court cases and postponements, conditional access — the supply of broadcasting signals via a decoder that records what you watch — was implemented in a few upmarket localities in Mumbai, Delhi and Kolkata from 1 January 2007. The experiment, which covered just 5 per cent of the country's cable television homes, has not been a great success. The proposed extension to the rest of the big metros in six months never happened. Even in its restricted domain, CAS has covered just 40 per cent of the TV audience. A small group of consumers — around 5-8 per cent — fed up with the cablewallahs have opted for DTH (direct to home). Others have stuck to the free channels or just stolen their signals.

CAS seems to be the only way forward and most stakeholders in the broadcasting business have been pleading for its early implementation. The current scenario could not be worse: there are over 30,000 disorganised, technologically-challenged cable operators. They are unable to service an extremely demanding consumer and, as collectors of subscription money, also siphon out a large part of the takings. CAS, with electronic monitoring and central servicing, would end this chaos. The set-top box would again give a more scientific reading of TRPs — or television viewership ratings — the basis of judging how well a channel is doing and, more importantly, the basis on which Rs 8,000 crore in ad spends is invested each year.

Broadcasters pay huge sums to cable networks as carriage fees because of the limited bandwidth in analogue cable systems. A recent Indian Broadcasting Federation (IBF) survey claims TV channels pay Rs 500 crore annually; unofficial estimates project this at Rs 900 crore over the next year. It's no surprise, then, that broadcasters, who are being fleeced royally for being visible, are hollering for CAS. CAS, which comes on the back of digitisation, would usher in virtually unlimited bandwidth in cable systems.

But everybody is not united on CAS. The army of cable operators who service the 'last mile' fear they may be put out of business by the new technology. But over the past 15 months, it is the consumers who have put up the main resistance. In the non-CAS regime, television owners have got used to getting 100 or more channels at less than Rs 200 a month. In Thailand, a basic bouquet of channels costs Rs 800 a month and in Hong Kong Rs 2,000 for 20 basic channels. CAS pricing, as well as DTH packages, in India have been kept low. But with a large bouquet of channels, it could cross Rs 300 a month. There is also the fear that once hooked on the electronic leash of the set-top box, consumers will be fleeced by cable networks.

It is for this reason, perhaps, that the 1 November date for extension of CAS to the remaining non-CAS areas of the main metros may be given the miss by the government. With national elections due in the summer of 2009 and a slew of states also going to the polls, it is unlikely that the UPA government will risk anything that will be seen as anti-consumer.

At the same time, CAS cannot be rolled back now. The legal template is in place. Cable networks have been quietly 'seeding' set-top boxes at throwaway prices even in non-CAS areas. There is no hardware shortage as before and competition has pulled the cable networks out of the Stone Age. Over the past year, new cash rich MSOs such as SetPro18 of the Network18 Group have come on the scene. With two-three new DTH players, including ADAG's Big TV and Sun TV, getting licences, cable TV is for the first time seeing serious competition. Unlike the Broadcast and Convergence Bills, which have been repeatedly shelved over the past decade, CAS is only a matter of time.

*gurbir.singh@abp.in*

# BLACK AND WHITE FOR EVERYDAY EFFICIENT PRINTING. COLOR ON DEMAND.

Color makes an impression. And black and white goes the distance. Choose the HP Color LaserJet 1600 Printer and take prints in black and white as well as color from a single machine. Built with advanced printing technology, this printer offers more than you can imagine. Partner with the best in color laser technology now and see the difference in the long run.

What's more, with our comprehensive portfolio of HP Care Pack service, you can increase printer uptime and keep operating costs low.



HP COLOR LASERJET 1600 PRINTER

**Rs. 17,299***

- Up to 8 ppm
- 264 MHz processor
- 16 MB RAM
- Hi-speed USB 2.0
- Duty cycle: Up to 20,000 pages per month

SMS **"LY3"** to **57575**
Call **1800 4254 999** (toll free, from MTNL/BSNL lines)
or **3030 4499** (from mobile, prefix your STD code)
Visit **www.hp.com/in/laserjet**

WHAT DO YOU HAVE TO SAY?

hp®

*Est. street price, taxes extra. Conditions apply. The product visual shown may vary from the actual product. © 2008 Hewlett-Packard Development Company, L.P.

PUBLICIS HP-IPG 146 08

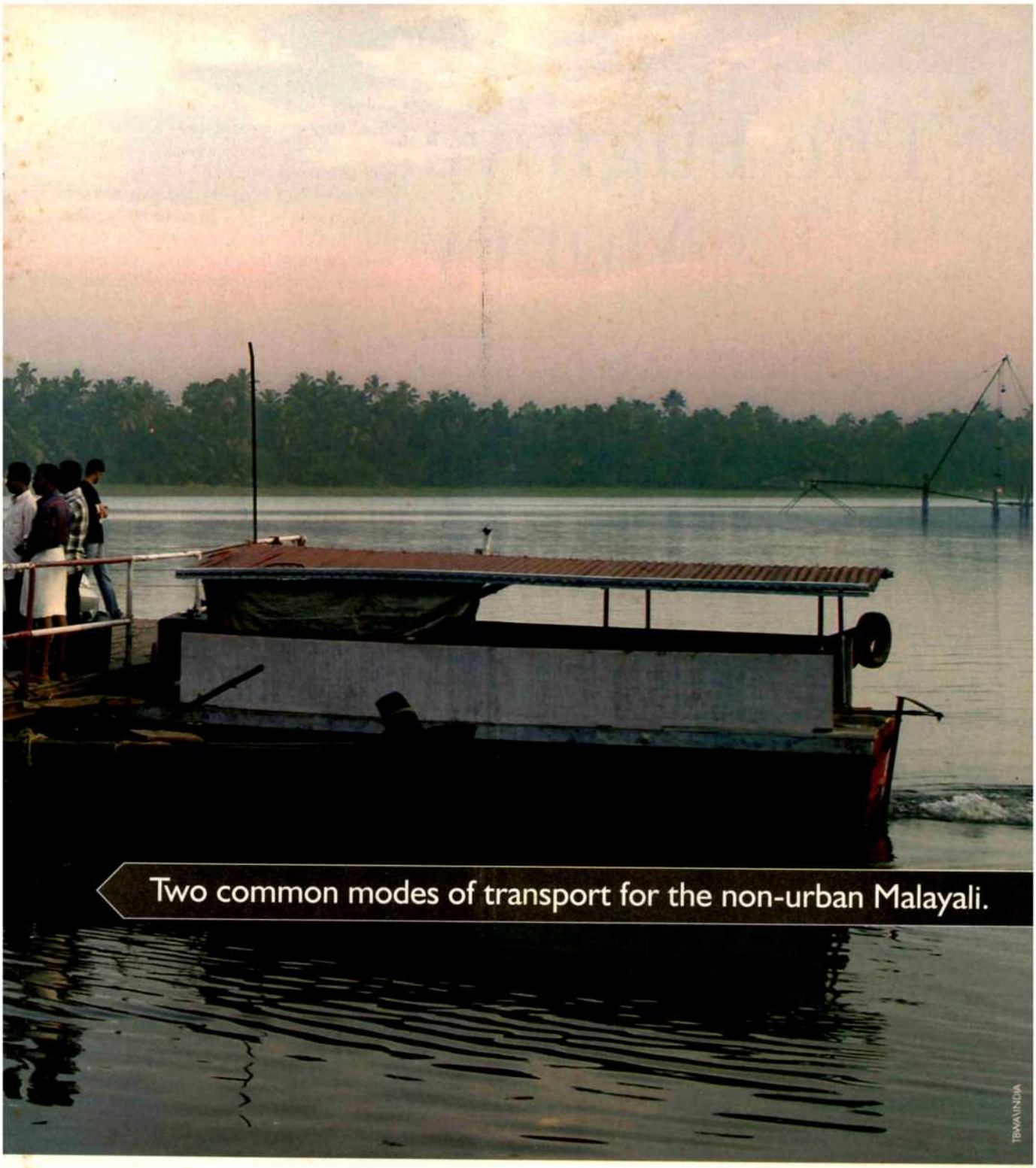
## Kerala has 7 out of the 10 wealthiest districts in rural India.

Kerala's buying power is not concentrated in its urban centres, but spread across. Opening up a huge market – beyond the cities and towns – for semi-luxury/luxury goods. Be it consumer electronics. Home appliances. Or, even, automobiles. And to reach these parts – or for that matter, anywhere across Kerala – there's no better mode of transport for your brand, than the Malayala Manorama.

(Source: Market Skyline of India, Indicus Analytics, www.indicus.net)

Top 10 districts (rural) in India in terms of households with 10 lakh+ income

| District | No. of households |
|---|---|
| Ernakulam | 19045 |
| Kottayam | 15030 |
| Thrissur | 14477 |
| Ludhiana | 13535 |
| Thiruvananthapuram | 13062 |
| Palakkad | 11649 |
| Pathanamthitta | 10979 |
| Alappuzha | 10859 |
| Sangrur | 10456 |
| Firozpur | 10154 |




Malayala Manorama
Established 1888
Nobody delivers Kerala better

# The Fugitive Money

**by Puja Mehra**

**A tax haven offers help on evaders but India is caught napping**

A SIGNIFICANT DOWNSIDE OF GLOBALISATION IS the problem of tax havens. Increasingly borderless financial markets mean that with the click of a mouse, millions or billions of dollars can be moved from around the world to places where tax rates are ridiculously low and the secrecy offered unimaginably high. So, small clusters of scenic islands or principalities are rubbing shoulders with the richest nations on the planet on the quantum of global money inflows. Some of these countries are so small that they have no airports or even railway stations. Yet, trillions of dollars of unaccounted-for money is tucked away with their discreet financial services industries, causing much distress to income tax (I-T) authorities around the world.

Happenings over the few weeks in a small Alpine principality of Liechtenstein (see 'The Man Who Spilled The Beans' on page 45) in Europe, however, could be the first baby step towards curbing the menace of tax havens. Germany has spearheaded a crackdown after it laid hands on evidence of hundreds of rich Germans having evaded taxes by parking millions in Liechtenstein banks. The probe into alleged tax evasion by thousands of foreign clients of Liechtenstein's financial services has widened to 13 countries around the world, including the US. These countries want Liechtenstein's cooperation in combating tax evasion and reducing client secrecy. And, they want the scope of the tax-saving rules — to ensure higher disclosures and tax rates — widened to cover more instruments, such as trusts, and non-EU countries.

Non-EU tax havens, such as Macau, Hong Kong and Singapore, are also being coaxed to sign up to the EU rules, so once the rules are tightened in Europe, dirty and black money does not fly elsewhere. "Tax evaders should not be able to hide behind banking secrecy laws," the British finance ministry has said. Austria and Luxembourg have so far refused to be pushed around. Liechtenstein, Berlin and a few others are reluctantly beginning to share information on clients' accounts, though.

The offer could turn out to be a much-needed boost for India's taxmen, provided they act on it. Well-heeled Indians are known to stash away large sums in tax havens around the world (See Black Economy — Big and Booming, *BW* 29 May-4 June 2007). The enforcement directorate and the I-T department talk in hushed whispers about the big fish, which range from promoters of top

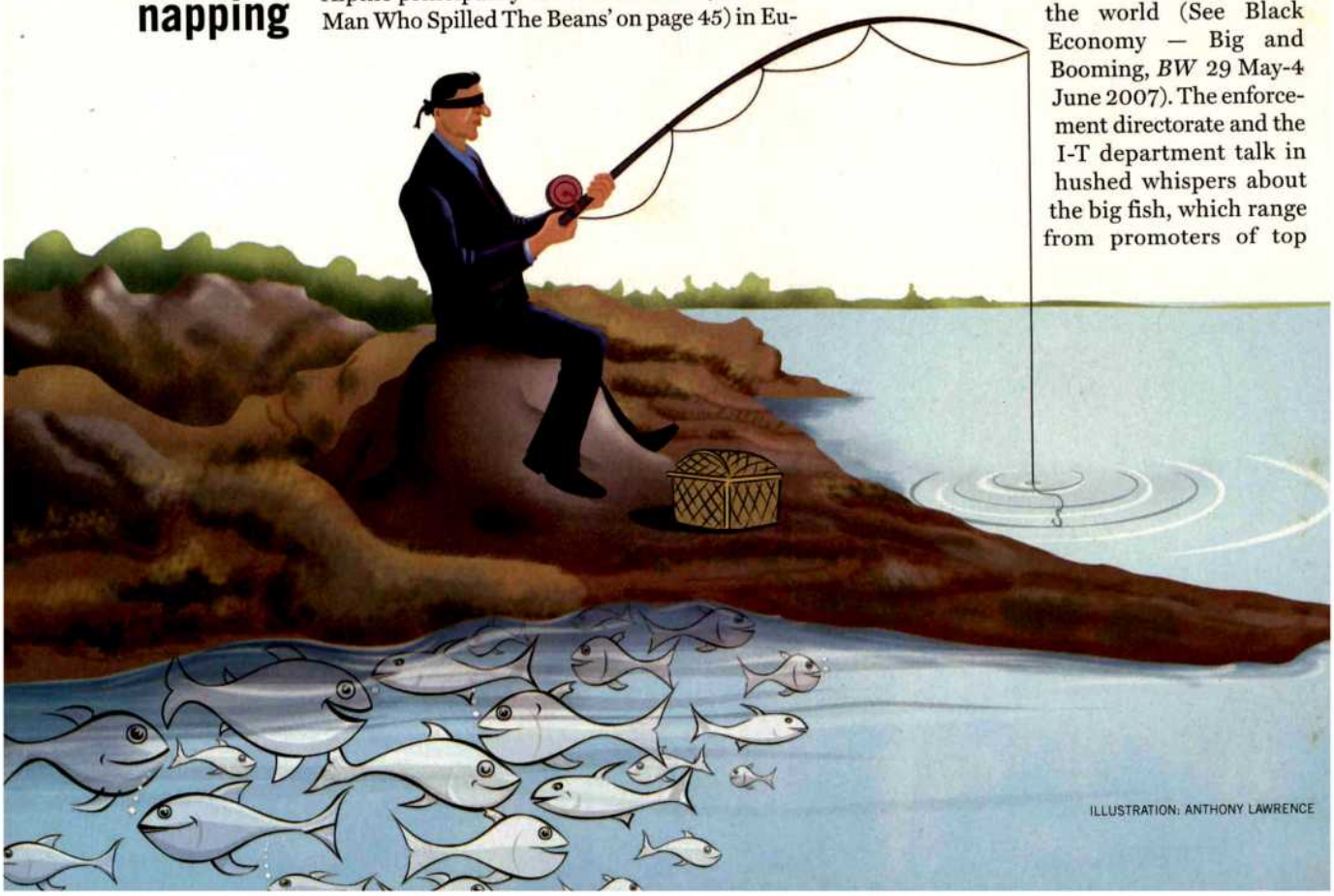


ILLUSTRATION: ANTHONY LAWRENCE

corporate houses to politicians. And yet, the official spokesperson for the Central Board of Direct Taxes (CBDT) reveals that the board is yet to act upon Liechtenstein's offer of information on tax evaders, which could include Indians. This is because CBDT cannot initiate action on its own unless it receives leads, which can only be obtained from Liechtenstein by the Financial Intelligence Unit (FIU). So far, CBDT has not heard from FIU. The FIU did not respond to *BW*'s queries.

**It's Big, And Getting Bigger**

The blight of black money is not new to India — the first voluntary income disclosure scheme was announced way back in 1951. Since then, several estimates have been put out — from a moderate 5.1 per cent of the GDP to over half the economy (see table). In 1992, the Reserve Bank of India had estimated the total money stashed abroad to be $180 billion. Sixteen years and a 9 per cent economic boom later, that figure could have swelled many times.

Strictly off the record, finance ministry officials acknowledge the black economy could even have grown from the estimated Rs 38,000 crore in 1983 to more than Rs 10,00,000 crore. Though no current official estimates exist, some revenue officials even peg the black economy at as much as the size of the white economy. That's not hard to believe, given that barely 350,000 Indians (up from a mere 150,000 in 2003-04) declare incomes of more than Rs 10 lakh a year, when global luxury brands are flowing into India in droves. A National Council of Applied Research study reveals the number of dollar millionaires is growing by the day — Haryana alone has 482 *crorepatis*. ICICI Bank's private banking services unit handles over 100,000 individual accounts, each worth over $1 million.

"Sales representatives from tax havens such as Cayman Islands and Liechtenstein do the rounds of Mumbai regularly in search of clients," says tax and corporate law consultant Pawan Kumar. No wonder, the RBI has repeatedly warned of the round-tripping of black money and washing of dirty money by taking it out of the country through hawala and bringing it back to the stockmarket route using participatory notes (PNs). Since the stockmarket was opened to overseas investors in the 1990s till October 2007, when PN inflows were considerably curbed through regulations, $52 billion of foreign money came into Dalal Street. Of this, 34 per cent came in as PNs, according to Sebi.

The Supreme Court's questioning of the validity of amnesty — the easiest way of bringing back tucked away black money despite being morally cumbersome — has made voluntary disclosure schemes unattractive. This leaves tracking down the evaders the only option for I-T authorities. But India's track record of obtaining information from other countries on money launderers has been far from impressive. The I-T department's lack of urgency in acting on Leichtenstein's offer of sharing client information is a case in point. "India has in place treaties for the exchange of information with several countries, such as Mauritius and Switzerland (but not with Luxembourg and Liechtenstein); however, the tax authorities do not use them extensively," says Akil Hirani, managing partner at Mumbai-based law firm Majmudar & Co.

## Estimates of the black economy

| | |
|---|---|
| **1971** Justice K.N. Wachoo | Direct Tax Inquiry Report: 5.1% of GNP at market price |
| **1981** Gupta and Mehta | An Estimate of Underreported National Income: 19.8% of GDP at factor cost |
| **1981** Ghosh, Bagchi and Chaturvedi | Capital Formation, Growth of Domestic Product and Capital Output Ratios: 8.7% of GNP at market price |
| **1982** P. Gupta and S. Gupta | Estimates of Unreported Economy in India: 48.1% of GNP at market price |
| **1982** D. K. Rangnekar | Size and Dimension of the Black Economy: 14.4% of GNP at market price |
| **1982** O.P Chopra | Unaccounted Income: Some Estimates: 10.2% of GNP at market price |
| **1983** Shankar Acharya | Aspects of Black Economy in India: 20% of GDP |
| **1996** Arun Kumar | The Black Economy in India: 40% of GDP |
| **2002** Sumana Chattopadhyay, Kausik Chaudhuri and Freidrich Schneider | The Size and Development of Shadow Economy in India and Other Asian Countries: 23% of GDP in 1997-98 |

Source: Ministry of Finance

**Small Steps, Right Direction**

It is not that exhuming unaccounted-for money is not a priority for India. To unearth black money and combat evasion, the revenue department led by Finance Minister P. Chidambaram has put in place a system of tracking high spenders and big investors. Instead of lim-

## THE MAN WHO SPILLED THE BEANS

**SANDWICHED BETWEEN Switzerland and Austria, tiny Liechtenstein is one of the three countries on the Organisation for Economic Cooperation and Development's (OECD's) blacklist of uncooperative tax havens, alongside Andorra and Monaco. The country — barely twice the size of Manhattan island and with no airport or mainline railway station — is rated as one of the richest in the world, being one of the world's most secretive tax havens. It has more firms registered here than its population of 35,000. Foreign customers prefer parking funds here because, if the money is placed with foundations called *stiftungens*, hardly any tax needs to be paid. Putting one of the country's 300 trustees in charge of running the investments ensures anonymity for a client.**

**The Western media has reported that the man responsible for Liechtenstein's present confidentiality crisis is Heinz Kieber, 50, an employee of the principality's main bank, the Liechtenstein Global Trust (LGT), until November 2002. Spain issued an international arrest warrant for Kieber, who was wanted for property fraud in 1997. The Liechtenstein authorities caught up with him in 2001, and are also said to have fined him €370,000.**

**In 2002, Kieber fled Liechtenstein, but not before allegedly stealing copious amounts of secret client data from LGT. Less than two years later, Kieber offered his information to the US and UK tax authorities in return for cash. The Americans paid up and traced 50 tax evaders. The British, though, preferred to wait for the sums illegally stashed away by the US tax evaders to be exhumed before deciding on whether to pay Kieber. In January 2006, Kieber approached Germany's foreign intelligence agency, which bought the data from him for €4 million. This year, he reportedly provided the UK tax authorities with the names of 100 wealthy British tax evaders in return for £100,000. Germany has announced the names of more than 1,000 wealthy Germans who are suspected of evading €4 billion in taxes. Kieber lives in Australia under an assumed identity.**

BLOOMBERG

**ANONYMITY ASSURED?** Client data stolen from the Liechtenstein Global Trust (LGT) has been sold to global tax authorities by a former employee

iting itself to scouring for data on income profiles, the tax man is routinely seeking details of transactions from banks, credit card companies, registrars of property, mutual fund companies and stock exchanges. The I-T department matches the information on expenses with the income declared by the individual making these transactions. Over the past two years, it has written to lakhs of people whose declared incomes did not match satisfactorily with their expenditure profiles. Several of them offered to pay up more tax on receiving the letters. The result is the number of tax payers has increased by 25 per cent in the past five years from 22.5 million to 28.5 million. In fact, income tax collections have trebled to Rs 120,000 crore from Rs 41,386 crore in 2004, despite relief in the rates. While the credit for the buoyant corporate tax collections goes to the GDP growth, the personal income tax mop-up is up mainly on the heightened fear of being nabbed.

The fact, however, remains that the taxman has barely scratched the surface and I-T officials acknowledge that this is just "the tip of the iceberg". The success has been largely in curbing domestic evasion. The big fish salting away money to tax havens, remain unrestrained. "Although there are enough laws to make tax evasion difficult, it is rampant," says Amitabh Singh, partner at tax consultancy E&Y.

The revenue department says its efforts are considerably hampered by the low priority accorded to tax evasion cases in courts. Thousands of cases for prosecuting evaders lie buried below land disputes and other civil matters for 20 years on average before reaching verdict. Since intent is difficult to prove in these cases, the rate of prosecution is low. Evaders usually get away with paying the tax evaded. No penalty — which can range from 100-300 per cent of the amount evaded — is slapped. But Singh differs. "The department does not launch too many prosecutions and the most telling evidence of that is the fact that not one name comes to mind for a person jailed for tax evasion in India," he says. In fact, in 2005, the finance ministry was forced to order the 300 plus I-T commissioners in the country to launch at least one prosecution each during the year.

The ease with which evaders can get away has impacted deterrence and is the weakest link in the finance ministry's plans to nab them. The dodgers are hardly spending sleepless nights. The new tax code prepared by the finance ministry proposes special courts for I-T cases. Ready for months, it is yet to be tabled in Parliament. In the meantime — Leichtenstein's offer of help nothwithstanding — evaders continue to rob the exchequer of its dues and stash them away at tax havens in exotic foreign locales.

*puja.mehra@abp.in*

imageRUNNER

Canon

Delighting You Always

# BUSINESS RUNS ON VISION. IMPRESSION RUNS ON COLOUR.

The Canon imageRUNNER colour series now comes to you at hardly any difference from a black and white machine. Its intelligent feature of password enabled access control lets you regulate colour prints, thereby assuring cost control unlike ever before. And what's more, avail many other benefits like colour scanning, scan-to-mail etc. So get a Canon iRC digital copier for your office now!

**The world has gone colour. What are you waiting for?**

**SAVES COST:** Increases business profitability **SAVES TIME:** Increases manpower productivity **MAKES IMPRESSION:** Increases impact of presentations

iRC 3180i

iRC 2880i

iRC 4580i

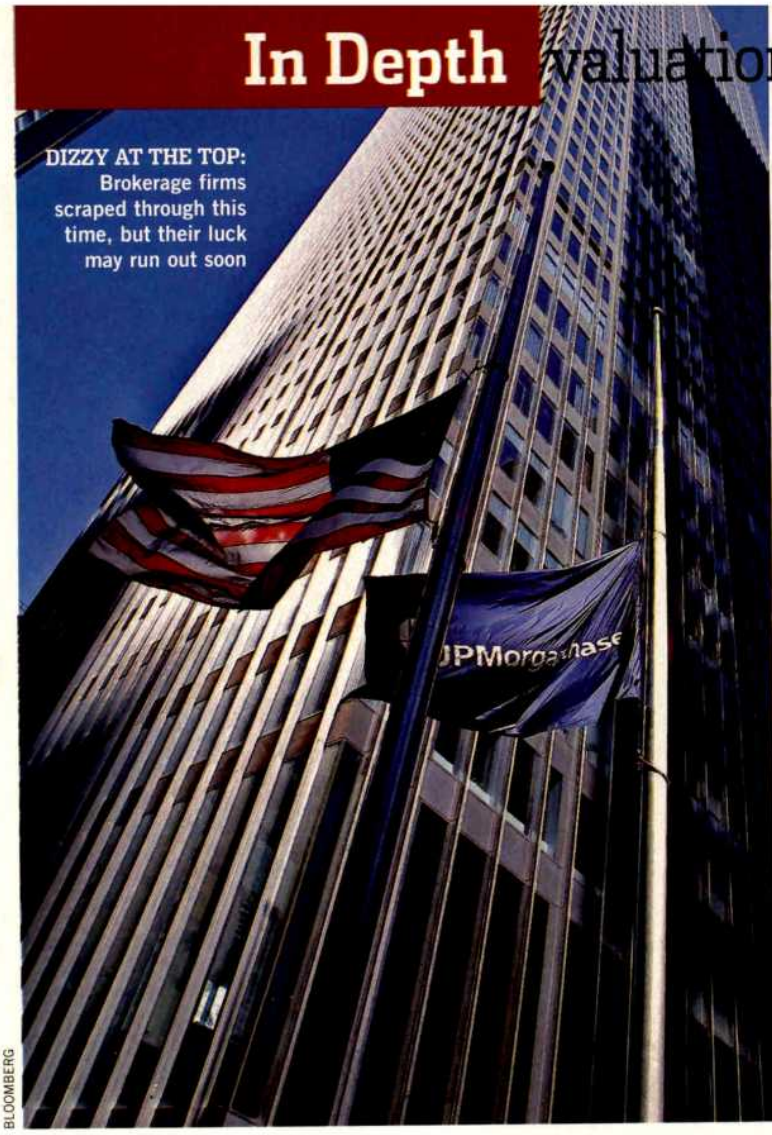
iRC 5185i

**ALSO AVAILABLE:** Model No. iRC3380i, iRC5185, iRC5870i & iRC6870i

*From MTNL/BSNL landline. #Prefix your local city code when dialing from phone other than MTNL/BSNL Landline

**Business *can* be simple**

Call CANON: 1800 345 3366*/39010101# or visit www.canon.co.in Corporate Office : Canon India Pvt. Ltd., Second Floor, Tower A & B, Cyber Greens, DLF Phase-III, Gurgaon -122 002




DIZZY AT THE TOP: Brokerage firms scraped through this time, but their luck may run out soon

BLOOMBERG

# Broke Broking?

**by Rajesh Gajra**

**Are Bear Stearns stories waiting to happen in India too?**

IN THE WAKE OF THE SUDDEN COLLAPSE OF BEAR Stearns, questions are being asked as to how many similar cases might be lurking around the stockmarkets. Over the next few weeks, *BW* will look at the Indian industries and companies whose valuations we believe do not reflect the reality. We thought it appropriate to start by looking at the Indian brokerage industry.

It is the one most directly connected with the state of the market and which, to us, is one of the sectors that have got overvalued in the recent bull run. And that is despite many of the listed brokerage stocks losing two-thirds of their value from mid-January to now. During July-August last year, the price to earnings (P/E) ratio of Indian listed brokerage firms ranged from 40 to 97, based on the year-ended March 2007 net profit figures. Internationally, brokerage firms in the US were getting valued at 10-40 times last year. Currently, on 1 April, based on latest earning figures, their valuations have also tumbled (see table: 'Valuers Revalued?') and are around the 7-25 multiple.

The average P/Es on recent earnings for other markets are: 11.5 in Canada, 15.9 in Australia, 6.9 in Singapore, 20.8 in Germany, 25.2 in South Korea and 29.9 in Brazil. In developed markets, the current P/Es are a bit high due to write-offs and earnings issues in the fourth quarter of 2007.

"Major India-listed investment banks and brokers are trading on an average of 59.9 times their earnings," says the executive director and head of equity for India at a leading foreign brokerage firm in Mumbai. "Global investors would typically wonder why India is out of sync with even other growth markets."

Some others look at it differently. "The valuations of companies in the securities markets business must be viewed based on year-on-year earnings growth as against any fluctuations in one month or quarter, which could arise due to market conditions," says Sameer Kamath, vice-president of investor relations at Motilal Oswal Financial Services (MOFS).

Neutral voices exist, too. "The underlying factors that include macro- and micro-economic factors, capital market liquidity and political factors change from time to time and affect valuations," says Trivikram Kamath, senior vice-president of operations, finance and technology at Kotak Securities.

Indian brokerages have three streams of income: fees from clients for executing trades, interest from funds lent to clients to finance their trades in the cash market under the Securities and Exchange Board of India-approved margin-trading scheme, and commissions from selling financial products (such as mutual funds and small savings) and through investment banking activity in initial public offers (IPOs) and mergers and acquisitions.

"Currently, the biggest issue is that trading volume in the market has come down," says R. Venkataraman, executive director of India Infoline. The competition being intense, most of the medium and large brokerage firms have been forced to scale up in order to sustain their margins. "Earlier, one lakh customers was considered very good for a broking firm," says Sanjay Agarwal, national industry director of financial

services at KPMG. "Now, it is the bare minimum requirement."

In a business of declining margins, having a higher customer base becomes imperative. It is a volumes game and the more juice you squeeze out of each customer, the more profitable you stay. "Look at the recent growth rates of 52 per cent in derivatives' average daily turnover and 23 per cent in the cash market," says MOFS's Kamath. "The long-term growth prospects appear to be extremely bright."

Adds Kotak's Kamath, "Brokerage firms plan capacity in anticipation of a certain market size and changes in this coupled with lower realisation rates tend to put pressure on the brokers' financial performance. Valuations of any business are a function of the expected performance of the company and the market sentiment, which determines the multiple on the earnings that it is willing to pay for the business." But some signals point towards the market sentiment having gone overboard.

One of the top 20 franchisees of a leading listed brokerage firm points out disbelievingly at the valuation being accorded to brokerage firms. He did not wish to be named but said that his brokerage firm made a net profit of about Rs 80 crore, of which about Rs 65 crore was made from the operations of a couple of hundred franchisees spread all over the country. The top 15-20 franchisees' operations contributed about Rs 30 crore and his contribution to the firm's net profit was a little over Rs 1 crore.

Immediately after the listing of this firm's IPO last year, its P/E was about 40, based on March 2007 earnings. "That meant my Rs 1 crore share of profit was being valued at about Rs 40 crore for 2007-08," says this franchisee. "In a few months' time, as of early January this year, the share price had almost trebled and that meant my business was being valued at about Rs 120 crore, but on the ground, my business had not even doubled. Other franchisees were in the same boat as me and so I knew this was a bubble that had to burst." The share price of this firm is now one-third of its early January level. There is obviously something awry in the higher P/Es of Indian brokerage firms.

"In the past one year or so, a majority of the brokerage firms had started rolling out branches and retail networks purely keeping in mind a public float or private equity raise without giving much thought to viability of business," says Shachindra Nath, group COO of Religare Enterprises. "These would surely come under severe pressure as they would not have sustained capital to fund the business."

Brokerages with less exposure to margin trading and other financing operations are less vulnerable. India Infoline, for instance, voluntarily gave *BW* its latest break-up of revenues, which showed 60-70 per cent coming from broking (including margin trading), 10-20 per cent from distribution of financial products, such as insurance, mutual funds and small savings, and 6-7 per cent from the internet-based content business. Although this can be said to be a diversified spread, it still does not provide a break-up of broking revenues into brokerage fees and interest levied on clients' financing in margin trading.

"In the journey of growth, there have been some patches where the growth rates have slowed down or declined," says MOFS's Kamath. The patches can, however, be quite rough. In mid-February this year, MOFS itself issued a 'process note' to its 1,200-odd network of franchisees' branches to pass on all dishonoured cheques of their clients to it, so that it could initiate legal action under Section 13 of the Negotiable Instruments Act. "There were very few cheque-bounce cases," says Kamath.

During and after the mid-January meltdown, clients of several brokerages' sub-brokers were unable to pay margins on time and sought to buy time through dishonoured cheques. Risk management of all brokerages was severely tested. This time, they barely scraped through. The next time, they might not be so lucky.

*rajesh.gajra@abp.in*

## VALUERS DEVALUED?

Valuations of brokerage firms are getting hit in the market

| Indian firms | As on 31 Mar '08 Market cap (Rs cr) | P/E* | As on 31 Dec '07 Market cap (Rs cr) | P/E** |
|---|---|---|---|---|
| Edelweiss Capital | 6200 | 25.8 | 12128 | 22.9 |
| IL&FS Investsmart | 832 | 14.4 | 1830 | 40.0 |
| India Infoline | 4389 | 34.7 | 10293 | 175.0 |
| Indiabulls Financial Ser. | 10563 | 15.7 | 24825 | 31.7 |
| Motilal Oswal Financial Ser. | 1923 | 11.1 | 5189 | 34.5 |
| Religare Enterprises | 2829 | 30.3 | 4633 | 63.6 |

| US firms As on 1 Apr '08 | Market cap ($b) | P/E* |
|---|---|---|
| Charles Schwab Corp | 23.0 | 10.1 |
| Goldman Sachs Group Inc. | 75.6 | 8.3 |
| Lehman Bro. Holdings Inc. | 24.5 | 7.3 |
| MF Global Ltd | 1.3 | 15.2 |
| Morgan Stanley | 54.0 | 25.5 |
| TD Ameritrade | 10.4 | 14.3 |

Note: The earnings figures of Indian firms used for P/E were from consolidated financials; P/E=price to earnings ratio; * - based on net profit figures of three quarters (Apr-Dec '07) that were then annualised; ** - based on net profit figures of two quarters (Apr-Sep '07) that were then annualised

Source: Capitaline Plus, *BW* Research, Yahoo! Finance

# 'I've never seen malls so big'

**–John C.Cushman, III,**
Chairman, Cushman & Wakefield

**THE SUBPRIME debacle in the US and its consequences on the realty business has led economists worldwide to compare the current US slowdown to The Great Depression of the 30s. But John C. Cushman III, chairman of Cushman & Wakefield, is among those who vehemently disagree. He stresses on the fact that the fundamentals of the realty business are very strong. And that it's only a question of time before the housing sector pulls up realty once again. The commercial property business, according to Cushman, hasn't been so badly hurt. *BW*'s Rajeev Dubey and K. Yatish Rajawat quizzed Cushman with the reality of realty and on his blind faith in the business that has earned livelihood for seven generations of Cushmans. Excerpts:**

**Q: You have been very bullish about the growth in India and Asia, yet this is your first visit to India...**

**A:** I have been here this week and I travelled during the last three weeks all over the world. For us, this offers the highest growth potential anywhere we are operating. Our analysis of our business and the market in general is that the fundamentals are strong throughout the world, particularly in the office sector. There hasn't been a lot of over-building. The demand is still there. In cities such as New York there are very few sites available today. Prices are not going down, the prices will stay flat and the market spends are very strong in most of the US. You are an enormous country requiring 400 million sq. ft of office space. 400 million sq. ft by comparison is the city of New York, and it doesn't make sense. And the predictions I have seen show that your office space is 600 million sq. ft in the next three years. So what you have is an enormous opportunity for retail.

I looked out of the window and see a 5 million sq. ft area that is going to be the biggest organised retail shopping mall in the world. For me, I have never seen malls so big.

So we see India as a place for acquisition and our capital spending is going to be in Asia-Pacific and Europe. It is very difficult to buy something or build something in a mature place. So London is regarded as the challenge right now. But when we look at where the opportunities are in Europe, I see great opportunities in Czech Republic, Poland, Romania, Bulgaria, Ukraine, Central and Eastern Europe and Russia. People have seen tremendous growth. People want to be there. I just came from a conference in south of France MIPIM. You couldn't get a taxi cab, you couldn't sit in a restaurant, people were all over like ants. At this conference, the biggest focus on the European side was on Russia and the Middle East.

**Q: Will a slowdown in the US impact India?**

**A:** Yes.

**Q: Will the changing dynamics in micro markets make any difference?**

**A:** That is a complicated question you have asked. First of all, your question is if US is in difficulty and will it affect India. The answer is that the difficulties and market turmoil in the US economy started in the third or fourth quarter of 2007. The second-half was much more difficult than the first half. In the first half of the year, everybody was expanding and if you wanted $5 million you could raise it in weeks. Now the capital markets are more complicated. If you check your hands on the deck, the equity is there. There are private equity funds, there are pension funds, there are opportunity funds.

The problem is debt funding. Now it is very difficult to get the debt and the reason it doesn't make sense is that in most of the cities, fundamentals are strong. Nobody is saying that India's growth rate is not going to be dynamic and whether it is 8 per cent or 7.5 per cent that is a large growth. I can tell you that the economy in the US is not in the commercial sector but in the residential sector and for the economy to turn we will have to see that the housing sector improves.

**Q: A professor at Harvard recently told us that this problem is as bad as the depression of the 1930s.**

**A:** That is the problem. He is a professor from Harvard. Is he in the real world? I disagree with that.

**Q: Do you think that capital will slowly walk away from countries such as India and China?**

**A:** Not a chance. The reason is that you have to look at the whole world if you want an allocation. That is what everybody is trying to figure out — your investment strategy, your professors in the Harvard University, they do very well, Harvard (Harvard Universities Fund) does well, Stanford does well. What do they do? Figure out an allocation strategy — we are going to have this much money in big caps, this much money in small caps, this much money in the emerging markets, this much money in the Asian markets, this much money in commodities, so I want to make this comment to you that I would like to read the speech of the professor at Harvard to find out what he used to come to that analysis. I don't see that.

First of all, the economy is very different from the one that was there during the Great Depression. The damage was about $250 billion at that moment. The economy at that time in America was $6 trillion, whereas we have a $250-billion problem. You have whatever number you want — $180 billion, $200 billion, $250 billion, that we have lost today. Look at the percentage of $400 billion on $14 trillion versus $230 billion versus $6 trillion. What will require for the economy to get robust again — the residential sector must improve.

## Fast Facts

**Established**
**1917 by John Clydesdale Cushman and his brother-in-law Bernard Wakefield in New York City**

**CEO**
**John C. Cushman-III. He is credited with the world's largest realty deal of Merrill Lynch's lease of 4 mn sq. ft. in the World Financial Center**

**Business**
**Cushman & Wakefield is the world's largest privately held real estate services firm with around 222 offices in 58 countries.**

**Q: Do you think we will have more bad news in certain sectors?**

**A:** Yes. In the housing sector. Bulk of the public housing companies in America have problems. You know what happened. There is too much control. I had never seen interest rates this low. But that does not mean that just because you have lowered the interest rates, you will borrow the money. That evaporated in the first quarter of 2007 in the commercial sector. We lost the money very quickly. You could borrow a lot of money at low rates, leveraging 90 per cent. Not today. Today if you could borrow the money, you are going to get 55-60 per cent debt. The rest is going to be equity.

So who is going to be in this market? It is going to be the private equity funds, be the pension funds, the investment trusts, private capital, wealthy individuals, companies with a real balance sheet. So what I see out of this confusion is tremendous opportunity for people who are smart and agile, who can act on this opportunity today itself.

**Q: What about huge deals like equity office properties? Willthey be viable in the near future?**

**A:** First of all, Sam Zell is an extraordinarily bright guy. He is very clever. He has the best timing in the history probably of the world in selling the EOP, for $39 billion. The deal couldn't have been done today. We know that. Some properties have already been flipped twice, and a few, three times. He had just the best of timing because it was really a battle in the end between Blackstone and Tornado. It was a horse race and Blackstone won. Blackstone sold, as you know, pieces like Chicago. They sold the Arch Gallery portfolio, they sold Mcwell, they sold the portfolio on Chicago Washington, it was a pretty complicated transaction and that transaction could not be done today. Some of these saw the stock prices drop. But there is no reason they should have dropped the way they have dropped. They were caught up in a complicated economic environment.

**Q: Do you think equity office properties was a good deal?**

**A:** First of all, Blackstone people are so able in what they do. I can tell you that I was on the board of a hotel company called Kingston. We had mid-priced hotels without beverages. We sold them for $3 billion-plus last January. I watched Blackstone taking out $60 million of overhead in 90 days. They just bought the Hilton Hotel. Hilton has itself more hotels, five times as many hotels as you have in whole of India. It is one company. So in the market place some of the companies in the commercial sector are all different. You can look at them all as the same and the market looks at them like that and punishes them all together. But it is not correct. The big difference is between one office building development and another one's development. There are big differences between primary cities and secondary cities, or big differences between people building high quality institutional high rise buildings or best grade buildings in suburban America. The fundamentals certainly in most sectors are pretty well set.

**Q: PE has been the key driver of realty around the world. Do you think that dependence on PE has become so huge that realty can't survive without it?**

**A:** I think the private equity business is here to stay. I can tell you that in the last few months I know companies which have raised enormous amount of capital (private equity). The problem is that private equity means so many different things, depending upon what company it is. Blackstone has been the most active company, they have been like the king in hospitality. And they are very smart operators. So, will I bet with them or against them? I bet with them because I know them and they are very bright.

**Q: What is your view of Sarbanes Oxley Act?**

**A:** I know about that. I have been on 14 public company boards. It isactually a well thought out concept but in my opinion it went too far.

**Q: In specific relation to the realty business... has it hurt**

**A:** The SOX Act is very expensive for small companies going public. The cost of compliance is very large. We are a big company and we operate as a private company as if it was subject to the SOX Act. But third party transactions in the Act is a very complicated issue. In a normal transaction, what a public company has to spend is too much. What do I see in the SOX Act? I see a shift from the way they were looking at the order, practices and primary focus. It has now become a compensation committee. I see the compensation committee is under lot of pressure if it is a public company. Today, we see too many accesses, too many people who were richly rewarded and that is really bad.

www.statebankofindia.com

State Bank of India
*With you - all the way*

**Pure Banking. Nothing else.**

# ONE KIND OF SWEEP AND REVERSE SWEEP!

## Power your Current or Savings Account with the sweep and reverse sweep option!

A value added savings option indeed! With Surabhi Deposit Scheme your excess money in Current/Savings account is automatically transferred to a high interest Fixed Deposit.

- Auto sweep automatically transfers surplus funds to high yielding fixed deposit account.
- Corporates, Institutions, Trusts, PF firms etc eligible.
- Period of term deposit is 12-36 months.
- Threshold limit to be maintained is Rs. 50,000. (For non retail customers)

SBI SURABHI DEPOSIT SCHEME

**Please call our SME Heads on the numbers mentioned underneath, for further details. We shall be happy to be of assistance.** • Ahmedabad (079) - 25501032, 25509751 • Bangalore (080) - 25943168, 25943156 • Bhopal (0755)- 4288215, 4288189 • Bhubaneswar (0674) - 2393336, 2396330 • Chandigarh (0172) - 2702434, 2725581 • Chennai (044) - 28214307, 28214551 • Guwahati (0361) - 2237547 • Hyderabad (040) - 2346 6240, 2346 6241 • Kolkata (033) - 22317355 • Lucknow (0522) - 2234003, 2234034 • Mumbai (022) - 6751 4408, 6751 4409 • New Delhi (011) - 23407440, 23407143/19 • Patna (0612) - 2209077, 2209096 • Thiruvananthapuram (0471) - 2323076, 3290519

# Patently Not Obvious

**by Gauri Kamath**

**Is greater patenting of research funded by taxpayers beneficial?**

A BILL TO STEP UP THE PATENTING OF TAXPAYER-funded research has stirred a hornet's nest. The Public Funded R&D (Protection, Utilisation and Regulation of Intellectual Property) Bill, 2007, soon to come up before the Union Cabinet, has sparked sharp criticism in some quarters. This portends a less-than-speedy passage to the Bill becoming a law. The spotlight on it has also revived controversies about the role and performance of public-funded research in Indian universities and laboratories.

In a line, the Bill seeks to boost the commercialisation of government-funded research in a two-step process. First, it requires institutions to report patentable inventions to funding agencies within a specified period of time, failing which they forfeit their patent rights to the agency. Second, institutions that receive funding must set up intellectual property management cells (IPMs), which will patent inventions and earn revenue by putting them to good use. As an incentive, the inventor and the institution will get to keep a part of the proceeds, also quantified in the Bill.

"The government spends a lot of money on research, which is abandoned after a point of time," says K.K. Tripathi, advisor to the Department of Biotechnology in the Ministry of Science and Technology, which is piloting the Bill. "The purpose of this Bill is to get this research commercialised for public use and for the benefit of society."

The Bill appears to be well-timed. The Indian industry is targeting global markets and companies are actively seeking ways to partner the academia to leapfrog the innovation process. They would doubtless prefer it if all such collaborations result in a product or a service with at least some degree of market exclusivity.

"Patenting does two things," says Samir Brahmachari, director general of the Council of Scientific and Industrial Research (CSIR), the apex organisation that oversees 38 government research institutions. "It demonstrates innovative strength, and also gives the industry the comfort needed to licence an invention."

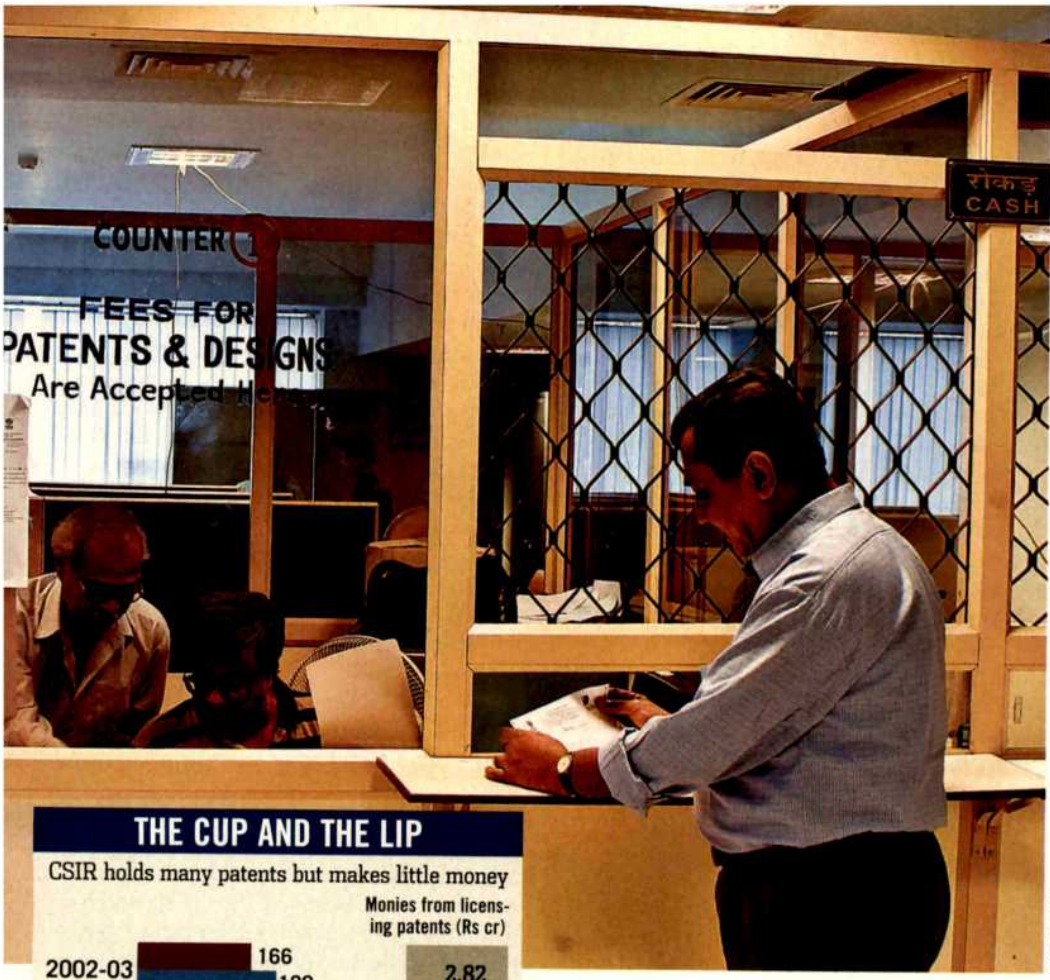
Indeed, the academia is becoming more aware of the possibilities of monetising intellectual property (IP). "There is no free meal in today's world," says Ganapati Yadav, dean (research, consultancy, resource mobilisation) at the University Institute of Chemical Technology in Mumbai. "How do we run an institute? We have to pay good salaries... all the money can't come from the government."

But for all its progressive intentions, some call the Bill a misguided and ill-studied attempt. "One should not rush into a legislation of such importance," says Amit Ray, professor of economics at the Jawaharlal Nehru University's School of International Studies. "While one is not against formalising the whole thing, it has to be backed by research and data, which does not seem to the case."

### Empowering Science And Scientists

Lalji Singh, director of the Centre for Cellular and Molecular Biology (CCMB), a leading government lab in Hyderabad, says that universities outside the government's apex network of research institutions are "totally confused" about what to do once they stumble on something interesting. "There are absolutely no guidelines," he says.

Scientists will, therefore, welcome the Bill because it has the potential to empower institu-

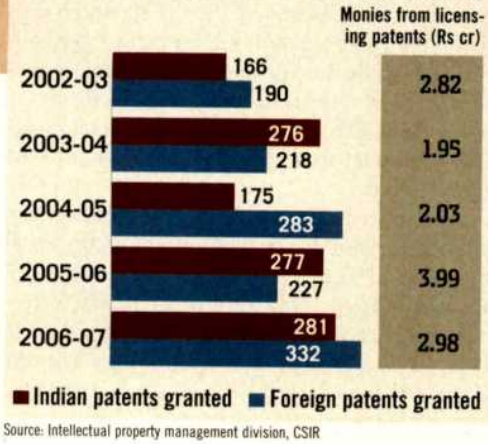



GOUTAM ROY

**AT THE PATENT OFFICE WITH COMPUNCTION?** The idea to commercialise research through greater patenting has ruffled a few feathers in the academia

## THE CUP AND THE LIP

CSIR holds many patents but makes little money




Source: Intellectual property management division, CSIR

tions in their dealing with the industry. Consider Manju Ray, professor and head of biochemistry at Kolkata's Indian Association for the Cultivation of Science, founded by Nobel physicist C.V. Raman in the 1930s. Until recently, "There was no patent cell or a system of entrepreneurship," Ray told *BW* over the phone from her laboratory.

Ray says she paid the price when, at the turn of the millennium, she allowed New Delhi's Dabur Pharma — a cancer drug research and marketing company — to own patents for her research on an anti-cancer drug on the assumption that the company would make the drug commercially available. "But they did nothing with it, just sat on it," says Ray. "If the Bill comes into action, then I think universities and institutes like ours will benefit." The Association now has the makings of a patent cell, she adds. A Dabur spokesperson said the company could not comment within *BW*'s deadline.

"Giving patent rights to institutions and a share in the royalty to the inventor is one way to incentivise research," says Amlan Goswami, a research associate with the National Knowledge Commission, which advises the Prime Minister, and is pushing for the Bill. "Today, if an institution decides not to share rewards with the inventor, it can do so. But the legislation would bring everything under a common umbrella and make it uniform."

### Problematic

The Bill appears to assume that public-funded R&D cannot be genuinely fruitful without protection for IP. Dinesh Abrol, a member of the Delhi Science Forum (DSF), a Left-leaning science and technology policy watchdog, thinks otherwise. "The real challenge is not IP protection, it is the absence of research structures and enough research," he says. Science and technology spending is less than 1 per cent of India's GDP versus the 1.23 per cent in China and 3 per cent in the developed countries.

Many scientists have found patenting itself a debilitating task. S P Bhatnagar, a physics pro-

## TROUBLE WITH THE LAW

**IN 1980, THE US ENACTED THE PATENT AND TRADEMARK ACT (AMENDments), commonly referred to as the Bayh-Dole Act after the Senators who sponsored it. The Act created a uniform patent policy among many federal agencies and, in the words of The Economist, "unlocked all the inventions and discoveries made in laboratories through the US with taxpayers' money". But has the Bayh-Dole Act of the US prevented the sharing of knowledge by allowing universities to put profit above all else, much like corporations? The Act gives the discretionary right to decide whether or not to patent an invention to the intellectual property management cell or technology transfer board of an institution, and not to the inventor. "The performance of these cells is typically measured by patents and licensing fees," says Shamnad Basheer, a New Delhi-based associate at Oxford Intellectual Property Research Centre, and a former law professor at America's George Washington University. Universities can be blinded by lucre. In the 1970s, Columbia University scientists — using US government funds — came up with an invention that formed the basis for many biotech drugs. Through its patent life, Columbia reportedly earned $600mn (Rs 2,400 crore). But after the patent expired, it got a new one with some small changes and threatened to revoke the licence unless companies continued to pay. The companies sued and Columbia lost. Reports suggest the new Bill in India gives the government 'march-in' rights in certain cases but the details are unknown yet.**

fessor at Gujarat's Bhavnagar University, describes his experience as "a tremendous effort". For one, there are hardly any patent experts to be found outside the metros, making it challenging for mofussil universities to staff a competent patent cell. "Even the patent offices are short-staffed, so where do we stand?" he asks. Department of Biotech's Tripathi reiterates that the shortage of expert staff will soon be met as more IP courses become available. But, as of now, universities and research institutions do not know the right approach to commercialising a patent.

While it is prohibitively expensive to file for and maintain an international patent — it costs lakhs — Indian patents have little value in a globalised world. Tripathi admits that universities will need resources to administer patents. The Bill provides for a certain percentage of monies to be set aside for patent management, he says.

Meanwhile, Bhatnagar's department is short of manpower to teach, leave alone research. It is rather like recommending cake when bread cannot be afforded. "What the Indian system of innovation needs is basic nutrition, not a booster dose," says Abrol.

### Cogito Ergo Sum

For long, the academia has seen its role as pursuing 'basic research' or research that expands scientific knowledge without necessarily generating a product or service of commercial value. The underlying assumption is that 'applied science' can be built by user industries. This has remained practically unfeasible.

Often, research is too 'embryonic', says Kamal Sharma, president of Mumbai drug maker Lupin, whose company has tied up with the academia. "Hypothetically, you may get a patent to solidify oil into margarine in the lab, but it's of little use till it is scaled up and margarine-making can be taken to a factory," he says. So far away from commerce is this research that building on it does not save much effort for the industry at all, he says.

In Sharma's opinion, the problem with public-funded research today is "a lack of rigour in the labs to scale up". Specifically, it's the absence of investments in pilot plants to test scaleability, and the absence of networking between various scientific disciplines to give research a better direction.

"Universities can contribute to tech transfer but for that we also need to encourage entrepreneurship (among scientists)," says Abrol. This could be one reason why the CSIR, which tops the list of Indian patent holders and has a centralised intellectual property management division, earned a meagre Rs 14 crore in licensing revenues in the last five years. Its annual budgetary support from the government tops Rs 1,000 crore.

Some purists like JNU's Ray are against forcing scientists in public labs to think in terms of the market. "Their job is to push the frontiers of science," he says. There is also a cultural difference between India and the US, where the Bayh-Dole Law was enacted (*see box 'Trouble With The Law'*). In the US, universities were active patenters and licensors for decades before 1980.

"Patenting is a very new thing for us. In India, the culture is still to publish rather than patent," says Bhatnagar, who has published 24 articles and owns two patents. But, "We are suffering due to the extremely long delays in patenting," he says. "Who wants to wait for over a year? One would rather just publish."

It is as yet unclear whether either the government or the NKC has commissioned a detailed survey of the state of public-funded R&D and the hurdles it faces. "The Commission's role is to provide a roadmap and not to get into details," says Goswami. It must be hoped that when pure science seeks commercial application, success does not remain as elusive as those details.

*gauri.kamath@abp.in*

# Net Worth Of Wealth Lists

**by srikanth srinivas**

FROM THE BEGINNING OF JANUARY THIS YEAR to the present day, global stockmarkets, including in India, have lost $7 trillion as measured by market capitalisation. That is seven years of current Indian GDP. But yet, the rich have gotten richer. In a time when stock valuations comprise a significant chunk of personal net worth — particularly for those whose fortunes are tied up their enterprises — that comes as something of a surprise.

**The Forbes 400 list of the world's richest men is not the best indicator of their net worth**

Early in March, *Forbes* magazine announced its list of the 400 wealthiest people in the world, the 26th edition of this listing. In the top 10 are four Indians: the Ambani brothers, Lakshmi Mittal and K.P. Singh of DLF, the construction company. Their movement to the top of this list is interesting, too. Mittal has been in the top 10 since 2005. In 2004 and 2005, the Ambani bothers were jointly listed at 65 and 59. In 2007, Mukesh Ambani became the 14th richest man in the world and Anil Ambani the 18th. Singh was a distant 62. In 2008, they all moved into the top 10. Singh's jump was the biggest, from 62nd to the 8th position in just one year. His net worth had tripled, from $10 billion in 2007 to $30 billion in 2008. Clearly, the rise to the top 10 richest men's club is driven largely by the increase in the value — stock prices, in other words — of equity held by these men in the companies they own and run.

Which raises an interesting question: how exactly do we measure personal wealth? Economic theory suggests that for purposes of computation, only those assets that have well-developed markets and observable prices should be included. That means mainly housing equity, financial assets and other tangible assets. Financial assets include bank deposits and balances, stock and mutual funds, bonds and other interest earning assets. We can safely leave housing out for these billionaires, as it's likely to be an insignificant amount of their overall net worth. Tangible assets include equity in businesses (also represented by capital stock), rental, and real estate that is income producing.

Data that could help assess movements or increases in wealth over the past year or so is lacking, but there are a few broad trends. For the Indian billionaires, clearly the bulk of their wealth is captured by the stock they own in their enterprises, most of which are publicly traded on the stock exchanges. For those entities that are not, a useful comparison is to other, similar publicly-traded companies. Some companies, of course, have sold a part of their stock in unlisted companies to create a market value benchmark.

But how credible are stock prices as indicators of wealth? Most stock prices are based on potential earnings multiples of future years, rather than on current or past performance. In other words — rather apt in current conditions — they are based on a hope and a prayer.

Not all stock prices are based on underlying asset values, either. A company such as Reliance Power has a market cap of several thousand crores, with no capital investment in power generation equipment or any other physical assets. Yet, Anil Ambani's holding of that company's stock goes into the estimation of his net worth.

In a lumpy market like real estate, the so-called land banks are the underlying assets of real estate firms' stock. Here again, there are been several uncertainties about clarity of title to those land banks. As yet, there is no efficient market for the sale and purchase of land like the one in stocks or shares. Yet, these land values are taken into account in the estimation of net worth. For DLF's Singh, it took just one initial public offering (IPO) to catapult him into becoming the eighth richest man in the world.

Net worth — or wealth — is also defined as the gross value of all assets less the amount of debt. Given that many of the billionaires in the *Forbes* list own significant parts of their firms, it seems reasonable that the proportion of their firms' debt be deducted from their assets. It is not clear whether the *Forbes* list takes this into account. Perhaps then many of the current top 50 billionaires may no longer be in that rather exclusive club.

True, wealth based on transitory value such as stock prices may be notional at best (the numbers on the *Forbes 400* list are computed on the basis of stock prices on a single day). For many, the lists may make good newspaper copy and water cooler conversation, but little else. But let's not forget that creating wealth is about creating value, about value accretion, not share price valuation.

*srikanth.srinivas@abp.in*

## MADHYA PRADESH

# Rejuvenating its Forest Wealth

Madhya Pradesh has the largest recorded forest area in the country. Forests constitute nearly 31 per cent of its geographical area. Forests are largely distributed in central, southern and eastern parts of the state. Teak and Sal are the two most important forest formations of the state.

The Government of Madhya Pradesh has displayed a strong commitment for the socio-economic development of the citizens of the state. The State supports 7.8 per cent of the country's population, a large part of which is dependent on forests for livelihood. Conservation of the state's rich biodiversity, its sustainable use for expanding livelihood security and ensuring equitable sharing of its benefits have been part of this larger commitment. On March 21, World Forestry Day was celebrated to commemorate the contribution and value of forests and forestry to the community.

**At a Glance**

| | |
|---|---|
| **Geographic Area** | **3,08,245 km$^2$** |
| **Recorded Forest Area** | **94689.38 km$^2$** |
| **Percentage** | **30.72%** |

## VINDHYA HERBALS

Madhya Pradesh is endowed with a rich and varied expanse of natural resources. Owing to ever increasing anthropogenic pressure, coupled with erratic exploitation regime, these resources are facing irreversible depletion. **Madhya Pradesh Minor Forest Produce (Trading & Development) Co-operative Federation Ltd.** is working to ensure that precious natural resources can be protected and harvested in sustainable manner.

Under this, marketing of medicinal and aromatic plants, raw materials is being provided to collectors /farmers/producers by inviting buyers and make them available an easy access for disposal of their harvest. The Federation processes and markets large number of forest based products under the name of Vindhya Herbals. These products are available as single drugs, multiple formulation drugs and ayurvedic oils for external use. Some important products of Vindhya Herbals are:

- ARJUN TEA for heart problems
- AMLA items, a rich source of Vitamin C
- TRIPHLA for stomach problems
- ALOE VERA as a cosmetic and for digestive disorders
- CHAWANPRASH as a health tonic.
- BRAHMI capsule as a memory tonic

**(For more information log on to www.vindhyaherbal.com)**

**MP Chief Minister Shivraj Singh Chouhan with State Forest Minister Kunwar Vijay Shah at a meeting with local representatives**

Madhya Pradesh is home to dense forests, mineral rich areas, rich flora and fauna and a network of rivers.

For *in situ* conservation of bio-diversity, 9 National Parks and 25 wildlife sanctuaries, have been created. Pachmarhi Biosphere Reserve is one of the 11 Biosphere Reserves of the country. Bhoj, wetland of national importance, is located in Bhopal district, with an area of 33,000 hectares.

In another major effort, the State Government has constituted the Madhya Pradesh Eco-Tourism Development Board, an autonomous organisation in the Forest Department. The major objectives of the board are broadly aimed at the promotion and organised development of eco-tourism as a mainstream program of the forest department. Within this larger mandate, the Board focuses on the achievements of certain specific objectives such as development of infrastructure; development and enforcement of standards and norms of service. The Board is mainly a facilitating body to help government departments, travel businesses, local communities and other stakeholders to achieve their specific objectives of benefiting from creating visitor access to scenic and unexplored areas.

The Forest Department is using modern technologies for forest protection, specially protection from fire which has reduced forest fire incidences drastically. Similarly, the State forest policy seeks management of forests through an appropriate statutory and institutionalised arrangement for protection, conservation and sustainable utilisation of the forests. The policy contains provisions for earliest possible settlement and demarcation of forest areas and to take initiative for converting forest villages to revenue villages besides checking illegal felling and giving adequate powers to forest personnel.

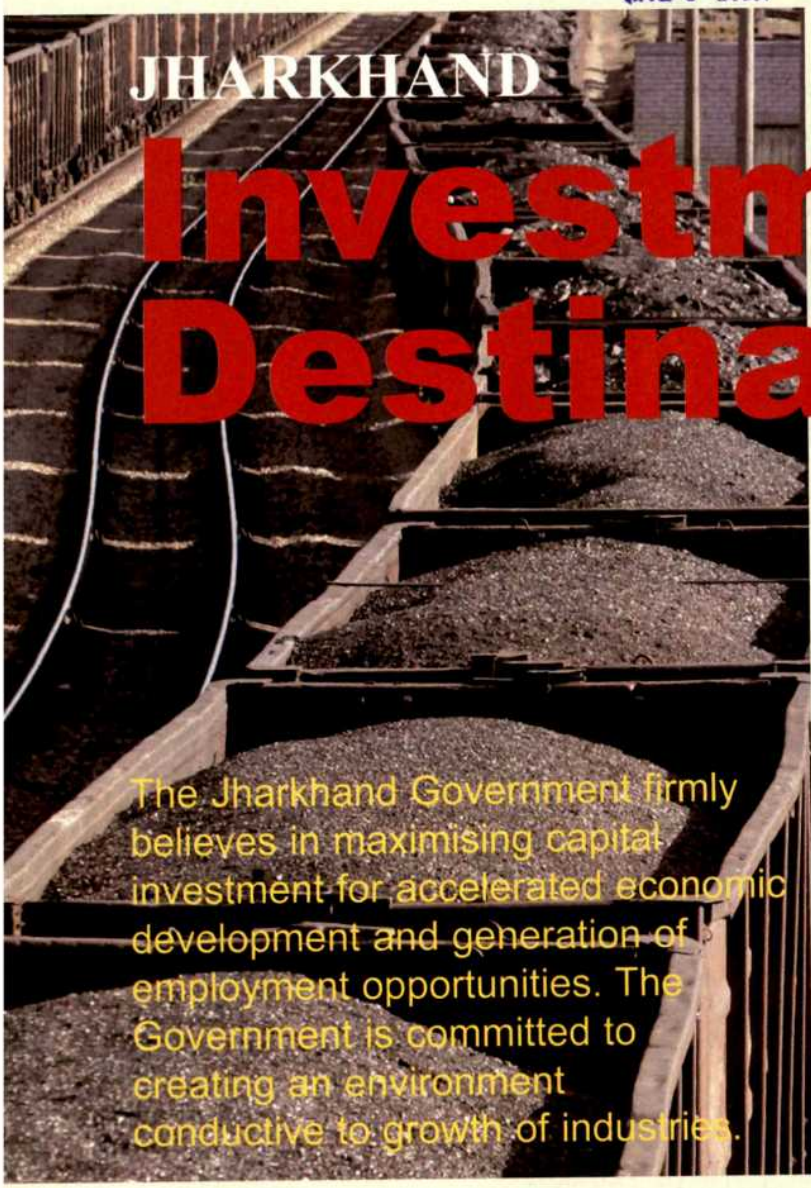
**For more information, log on to www.mpforest.org**

**National Parks & Tiger Reserves**

- Bandhavgarh Tiger Reserve, Umaria 07653-222214 / 222357
- Fossil National Park, Dindori 07642-251014
- Kanha Tiger Reserve Mandla 07642-250760 / 252197
- Madhav National Park Shivpuri 07492-223379
- Panna Tiger Reserve, Panna 07732-252135
- Pench Tiger Reserve, Seoni 07692-223794 / 220594
- Sanjay National Park 07822-252409
- Satpura Tiger Reserve, Pachmari 07574-254394
- Van Vihar National Park, Bhopal 0755-2674278

झारखण्ड सरकार

# JHARKHAND Investment Destination




The Government of Jharkhand has taken several leading initiatives in order to attract industrial investment in the State. These policies have graphed a framework for accelerating development and envisage a set of incentives and schemes, with the Government creating the right kind of business climate by removing the roadblocks and thereby enhancing the inflow of capital.

With 40 per cent of the nation's mineral reserves, the State Government is committed to rapid development by leveraging the Location Advantage, combined with visionary Political Leadership and a proactive Industrial Policy.

The State Industrial Policy aims to ensure accelerated completion of infrastructural projects, generate employment, improve productivity, and thus promote balanced development of the State. The policy lays emphasis on the growth of small, tiny and cottage industries.

The Jharkhand Government is providing attractive incentives for investment in the State. These include fiscal and sales tax incentives, incentive for quality certification, incentive for mega units, special incentive for IT industry and rebate for IT infrastructure, capital investment incentives, captive power generating subsidy, interest subsidy, incentive for employment generation, etc.

The State Government firmly believes in maximising capital investment in the State for its accelerated economic development and generation of employment opportunities. The State Government is committed to create an environment conductive to growth of industries in the State. It is determined to encourage investment in the industries based upon the State's agro-climatic, mineral and manpower resources as also in development of infrastructure.

**Industrial Areas**

The State has at present three Industrial Area Development Authorities with headquarters at Adityapur, Bokaro and Ranchi. These authorities are responsible for acquisition of land, development of infrastructure facilities like road, drainage, park, water supply, public utilities, etc. within their jurisdiction. It is contemplated to establish an Industrial Area Development Authority for Santhal Pargana with headquarters at Dumka.

झारखण्ड सरकार

The State Government would endeavour to identify new industrial areas so as to ensure each district has at least two industrial areas which would facilitate balanced growth of the entire State.

The Government is committed to provide international standard infrastructure and facilities in the industrial areas and estates managed by the Industrial Area Development Authorities. Existing infrastructure shall be upgraded and maintained efficiently. Supporting facilities in these industrial areas in terms of access to information, transportation linkages, housing facilities, telecommunication, health, education, sports, etc. would further be strengthened and new facilities wherever required would be provided.

Steps would be taken to revamp the Industrial Area Development Authorities and bring them under unified control to ensure uniform application of procedures, facilities and benefits to the entrepreneurs.

Importantly, the Government would encourage establishment of Private Industrial Estates by acquiring and making available such land at the acquisition cost.

The Government in turn will also provide infrastructure facilities such as water, electricity and road at the doorstep of such private industrial estate. The extent of such private industrial estate shall not be less than 100 acres. Such private industrial estate shall be allowed to install a captive power plant to generate and distribute power directly within such industrial estate.

**Social Infrastructure**

Social infrastructure in close proximity of industrial areas / estates would be developed. The Government would encourage private participation in putting up well planned and systematic residential facilities, quality residential / non-residential schools, hospitals, etc. Large industries would be persuaded to establish such facilities individually or to pool their resources to set up these facilities collectively. The State Government shall endeavour to provide land and other facilities at concessional rates for this purpose.

**Growth Centres**

The State Government has formulated an ambitious plan to set up and promote 3-Tier Growth Centres, namely at Mega, Mini and Micro levels.

Mega Growth Centres at Barhi , Hazaribagh have been taken up for providing modern infrastructure facilities for rapid industrialisation. These growth centres envisage an investment of Rs 30-40 crore and shall provide quality infrastructure inputs like land, water, power, communication, etc.

Industry specific Mini Growth Centres are being contemplated to be set up by the Government at different locations in the State where specific industrial activity needs to be boosted. The location of these growth centres has been selected keeping in mind the inherent locational advantages with respect to availability of raw material, manpower, connectivity and market.

The Government shall provide the following facilities at such growth centres:

- Highest slab of capital investment and interest subsidy

## THE STEEL CENTRE

Jharkhand is being looked at with hope by the rest of the nation for fulfilling the growing economy's demand for steel. Just recently, the Centre has asked Jharkhand to increase steel production from 10 million tonnes to 70 mt by 2019. Jharkhand alone can encourage investment of Rs 2.70 lakh crore by mega-sector investors in steel, which can go a long way in addressing the national shortage. About 50 projects are waiting to take off, after the State signed MoUs with Tata Steel, JSW Steel Ltd, ArcelorMittal, Jindal Steel and Power Ltd and Essar Steel with a proposed production of over 100 mt a year. Among the mega-sector investors, JSPL has acquired Bihar Alloys and Steel Ltd. SAIL will invest about Rs 53,000 crore for its expansion plan of which 80 per cent would be in the State.

झारखण्ड सरकार

- Highest slab of other relevant subsidies
- Quality infrastructure support, which includes, good road connection to the nearest highway.
- Priority in power allocation to such growth centres.

These growth centres would shift the focus of growth of industries into rural areas, yet ensuring that these growth centres are located near main highway and the district head quarters. This would help in generating employment for the local population, and the nearest town would provide residential / schooling facilities for the families.

An ambitious project of providing Four Lane Highway between Hazaribagh and Baharagoda (Jamshedpur) measuring 333 km is also under construction. A detailed project report for construction of High Specification Road between Ranchi and Sahebganj via Govindpur, Jamtara and Dumka is being prepared, which will provide gateway to Assam and North East. Similarly, the Ranchi -Daltonganj-Garhwa road shall also be strengthened.

The Government is also seeking to encourage private sector participation on Build-Operate-Transfer concept for building and maintenance of roads and bridges. With respect to bridges upon the National Highways, the State Government is taking steps to involve private sector participation. The State Government would also allow commercial use of specified road side land in order to improve the viability of such road / bridge projects.

## PROJECT POWER

Jharkhand aspires to enhance its generating capacity by more than double in the 11th Plan period, i.e. 2012, the year by which power-on-demand to the people is committed.

Soon after coming to power, the Government of Jharkhand has taken the following initiatives in the direction of power development:

- Jharkhand State Electricity Board has been established. The Board's organisational set up is planned to be on profit centre concept with due accountability and authority to down-the-rung units.
- The State Government has signed MoUs with the Centre as a token of its commitment to power reforms.
- Decision has been taken to open the state power sector for private investment and extend all due facilitation and incentive to the investors.
- Rural electrification has been accorded top priority. This will increase the power demand and also scope for power generation through small power schemes like small hydro, biomass, etc.
- Work on renovation and modernisation of existing power generating station as well as T&D system has already commenced in line with the guidelines issued by the Centre under the Accelerated Power Development Reform Programme and other schemes of national and International Financial Institutions.

The strategy, in essence, is not to leave any stone unturned, to develop the power sector, i.e.

- To go all out for power sector reforms.
- Compatible development of power T&D network in the State, concurrent with the thrust on generating capacity.
- Harnessing renewable energy source: Biomass power generation; Micro / Mini / Small hydro power schemes; Solar power for rural and also strategy location in urban areas; Solid waste utilisation and management.

झारखण्ड सरकार

# 'Towards inclusive growth'

***Jharkhand has immense potential to tap its mineral and forest wealth in a people and environment-friendly manner, and embark upon an accelerated and inclusive growth strategy. In an interview, Deputy Chief Minister and Industry Minister Sudhir Mahato points out how the State Government is seeking to keep the interests of both the industry and the people upfront. Excerpts:***

**Relief and rehabilitation has become a contentious point, specially after recent incidents like Nandigram and Singur. What steps is the State Government taking in this regard?**

The draft relief and rehabilitation policy, which was approved by my department only recently, improves on the policy formulated by the Central Government in this regard. In fact, we have taken into consideration the views of all concerned to frame the policy, which has been sent for Cabinet approval and should come into effect in April. We have taken care to ensure that incidents like Nandigram and Singur are not repeated here.

*'The Government is firm on balanced development of all areas, including tribal regions, to make the State the fastest growing'*

***Sudhir Mahato***
***Deputy CM & Industry Minister***

**What does the policy entail?**

The draft policy includes a proposal to give shareholding in the industries to the displaced people "to give them a sense of security. This apart we have mandated that industrialists would have to complete at least 50 per cent of their project work within five years and begin production within 15 years, involving full utilisation of the acquired land. If they fail to do so, they would have to wind up their business. The land would be reverted to the original donors or natural claimants.

Also, the draft suggests that a social impact assessment would have to be done if a minimum of 100 families are affected by the acquisition. We have also rejected the industry's demand that compensation should be given to land owners in phases. The industrialists will have to make full payment of the compensation directly to the landowners.

We have drafted a policy that will improve the lives of the displaced. We want them to be proud of their sacrifice for the nation, not wallow in poverty.

**While the R&R policy caters to big industries, what about small and medium sized industries?**

Our government has been very proactive in taking care of small and medium industries. In fact, only last year, we introduced a purchase policy, entitling SSI units in the state to get preferential treatment. Such policies exist in neighbouring states, and we have only corrected a shortcoming. Now, the policy makes it compulsory for the State Government to buy 100 per cent of its requirements from local SSI units.

**What about cottage and other traditional industries?**

The State Government plans to bring about a quantum leap in production of tasar silk. The state currently accounts for 60 per cent of the country's tasar silk production. Also, sericulture has been identified as one of the thrust areas in the State' s industrial policy and plans are afoot to double tasar silk production to 300 tonnes by next year.

Similarly, we have taken a number of steps to boost traditional industries. We are seeking to enter into a MoU with the Apparel Export Promotion Council to enhance traditional designs, and start an apparel export unit and an apparel management institute.

songs that bring back
those great memories.
friends 91.9 fm,
just like the old times.
91.9 fm
friends
bondhu...tomaar jonyo
come together with friends
BATES DAVID ENTERPRISE 2631

# Telling The Difference

**By nature, men are nearly alike; by practice, they get to be wide apart.**
**— The Confuscian Analects**

**by meera seth**

ILLUSTRATIONS: ANTHONY LAWRENCE

PRAHLAD SIRUR HAD BEEN SACKED FROM MATIO India where he was a trainee, for having wisened up to some wheeling dealing in the organisation. Shiv Ramdas, his father's colleague, was keen to take Prahlad into Kafkat India as a trainee, but father Sirur was firm: "Let him figure it out...I dislike this whole madness of jump into a job without knowing anything about your turf experientially. Let him spend some months getting his hands dirty."

*We will now watch his experiences over the next 22 months.*

Prahlad decided he was better off on his own and took the dealership of a computer company. Networking with batchmates found him an assignment at Daulat Cooperative Bank (DC). Unhappy with the current, vendor the GM handed him the computerisation of two branches.

As it turned out, the ousted vendor was upset and turned hostile against Prahlad. Things came to a head one day with the IT committee asking Prahlad to present himself for an evaluation. Without much preamble, the 12 men around the table told Prahlad that he had not fulfilled the terms of the contract.

Prahlad had done exactly as agreed, exactly as they had told him to, but he was accused of supplying defective software.

Prahlad was confused. He had been validating all the processes and he knew the software was working. But DC handed him a legal notice claiming Rs 2 lakh per branch towards the restoration of the defective software. Harried and harassed, Prahlad pleaded with the committee to not resort to legal means, but it was to no avail. He tried meeting others at the bank to find amicable solutions, but all he met with were grim, severe faces.

Prahlad was scared; scared, because he did not know what his mistake was. With some help, he found a lawyer.

Lawyer Pinakin Varia heard Prahlad's story with closed eyes and open mouth, nodding periodically. As soon as Prahlad's narration ended, Varia opened his eyes abruptly. Then matter-of-factly, he said, "*Arre!* Branches *chal raha hai na? kaam ho raha hai na? Bas*! Then the software is working!" And he dictated a most stiff reply to DC and told them off summarily, adorning the letter with serious looking stamps and seals. The lawyer's reply settled it all.

The day Prahlad came to thank him, Varia said in his delectable colloquial Hindi, "The industry is filled with donkeys. Don't be naïve. Their game is up. Why would you pay them Rs 4 lakh? Anyway, good experience. Now go take on the world! And *hanh*...don't be scared!"

But Prahlad had developed more insights into the kind of slush there was. Matio and now DC...he felt depressed. He had been on his own for 10 months, this was not his cup of tea. Over the weekend, he sent out his CV to a few place-

ment firms. A week later, Shiv Ramdas, his father's colleague called him and offered him management training at Kafkat. Prahlad felt excited, at the idea of being relieved from all this, but for a brief moment only. "No uncle, I would not like to work where dad works. I won't grow...people will make allowances for me because I am Sirur's son...I have three interviews coming up."

But Prahlad ended up meeting Madhav Iyer, who was visiting Kafkat Bangalore to meet other candidates. Before he knew, he was told he was having tea with Naushad Latif, the CMD! Prahlad panicked. He was in a Lacoste t-shirt! He ran up to his father's office, shut the door and bolted it. Then he rushed him out of his shirt, handed him his tee and putting on the pin-striped shirt, he said to a thoroughly confused Sirur, "They have arranged for a meeting with *Mr Latif*. I can't meet him in a tee, dad!"

Sirur was stricken as he saw the boy rush out again.

Prahlad's heart pounded as he entered The Man's room. Latif came to the door with a huge smile and a warm handshake. As the tea things were being laid out, Latif asked him about his business, "So, did you get around to finding out what the Branches meant when they said the software was not functioning?"

Prahlad was thrown off his feet. Now why would the CMD of a Rs 2,000-crore company want to have coffee with him and, on top of that, want to know what a two-bit bank branch felt about anything at all? But he heard himself explain, "Yes sir, I did; it was some minor cosmetic issue like the passbook printout formats were different from the one they had been used to."

"And what else do you think it was?" asked Latif.

"Training, which should have run parallel. To an extent, I was impatient to show off my skills, the branch manager was in a hurry to have the system running too. I guess I was inexperienced." Handing Prahlad his cup, Latif asked, "And what did you learn out of this experience?"

Said Prahlad, "Well...that there is a difference between selling hardware and selling a 'solution' — and this affects customer experience."

Latif hmm-ed then said, "Work with us for two years, get trained, then decide if you want to return to being a businessman. Shehnaz, my colleague, will give you a letter and explain the rest of it...welcome to Kafkat, young man. See you at 8 a.m. in the Mumbai office on Thursday."

As a stunned Prahlad got up to go, Latif said, "And yes, while I don't mind Friday dressing, Sirur looks dreadful in a tee!"

Prahlad did believe he was going to die. All this was too much for him.

**Prahlad panicked. He was in a Lacoste t-shirt! He ran up to his father's office, shut the door and bolted it. He rushed him out of his shirt, handed him the tee and put on the pin-striped shirt**

The first three months were a whirlwind of training, functions, departments and regulations. Prahlad barely slept, as read up all kinds of manuals. Then he was placed in the new Track-4 division aimed at the small and medium entrepreneur. "You will not be called a trainee anymore," said Madhav. "Having a title like 'trainee' will lessen the experience."

Now, Kafkat had a very old, trusted dealer, Mittalbabu, also their largest. Mittal's company Aspen had four divisions, each of which was aligned to a division of Kafkat, except Track-4. Mittalbabu was convinced Track-4 was hurting his other businesses, but it bothered him immensely that no one at Kafkat was wooing him. The '*naya ladka*', Prahlad, was ignoring him, and working more with other dealers who were committed to Track-4.

What also bothered Mittal was the fact that whereas every new trainee at Kafkat was made to rub his nose on the Aspen ground, Prahlad had neither been assigned to Aspen nor was he personally paying homage.

Mumblings of all this reached Prahlad — "*Yaar*, Mittal seems very annoyed with you. What did you do?" — and he was disturbed. Speaking to his mother that night, he said, "This is why I didn't want to work in dad's office. If Mittal finds out then everyone will be like 'Sirur's son is not like Sirur!' What am I going to do?"

Mittalbabu came to Kaf Towers to meet the CEO, having sent him a message, "I am disturbed by your new trainee." But CEO Anuj Rao did not meet him. Instead, he asked his VP, Soumil Vyas to meet him. Mittalbabu then said he wanted to talk to the VP alone. Vyas said, "I cannot talk to you alone, it is critical to have the GM in as I am also training him to take over from me, so..." Kaushal Dhir, the GM, came in, greeted Mittalbabu and ordered tea. Then he said, "Yes, I have those special biscuits from Lucknow this time! Let me get those and also the regional manager." The RM, Madhav Iyer went to the main hall and scooped up Prahlad and said, "Come, we have to meet Mittalbabu..."

And thus, when they all arrived at the VP's room, CEO Anuj Rao also walked in and said, "Ah, so here we have the whole team! Nice, nice. Now Mittalbabu, tell us your problems. I will start writing them on the white board." And as Mittal spoke, Vyas wrote them all.

Mittal noticed that once again Rao was up to his old trick. He never met customers without his team. But Mittal did not like seeing Prahlad in their midst. Presently, he was rattling off his complaints related to Prahlad, Track-4, 'Prahlad and Track-4'.

Prahlad sat there shaking and surprised why

he was in such august company and had he done something that had upset these men? Listening to Mittal condemn Track-4 and Prahlad's neglect, rattled Prahlad even more. The corporate world was so complex...he had not intentionally ignored Mittal; why, no one asked him to attend to Mittal...but he decided he was not going to defend himself this time. *I guess it is best to let them have their say...maybe there is something deep and profound in all this that I won't understand yet...*

As Mittal went on and on, Prahlad's condition grew worse. But none of the men would ask him anything, none would even glance at him in reassurance or rebuke; Anuj Rao took one issue at a time, debated it threadbare till it was resolved to Mittal's satisfaction and then he would wipe the issue off the board. When the board was clean, they stood up, shook hands, made all those polite happy sounds of relationships restored and Mittal was led to the lift by Madhav and Dhir.

Prahlad felt heady and exhausted. He was now alone in the room with Rao. Rao watched him with a smile, then said, "What do you think, Prahlad, of what he said?"

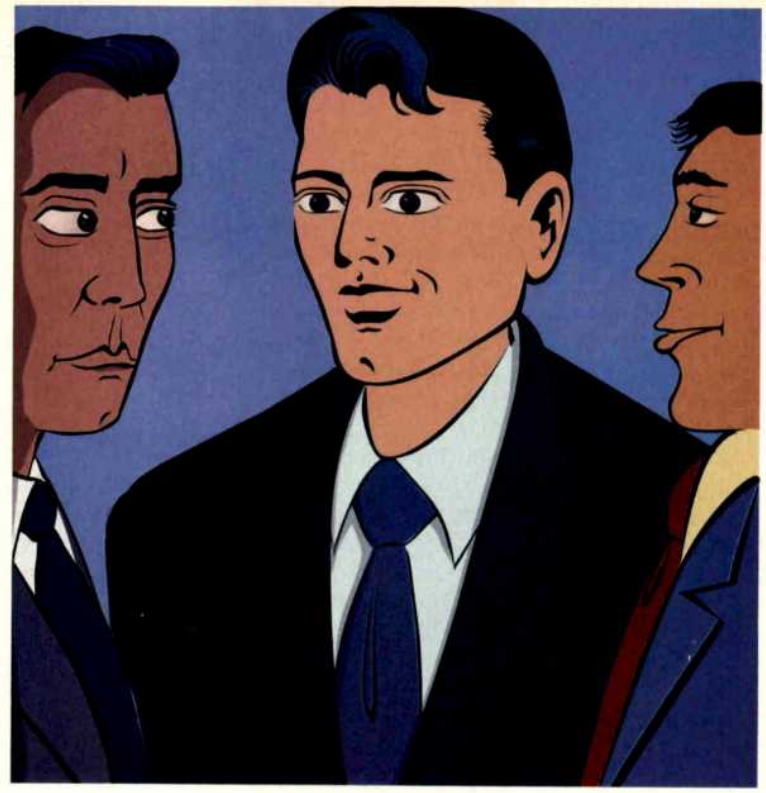
Prahlad replied, "Sir, he is right, but I did not know I was supposed to consult him.." Rao simply nodded. He did not compliment him, did not chide him. Later Prahlad asked Madhav, "Why didn't Mr Rao say anything to me?"

Madhav smiled, "Because he did the 'saying' to me! You are training, when you err, we learn where our system has failed. It was my fault. I should have arranged for you to meet Mittal. He is an elderly man and almost a part of Kafkat, so yes, he gets upset when our business takes turns away from his! But I hope you learnt something about management? It takes great inner clarity for a CEO to gauge a customer's tantrum, yet keep the dignity of a trainee! Relax!"

Prahlad felt a deep sense of something he could not define. But to his dad, he said, "They were so decent, dad! You know, Mittal is a big customer, but Mr Rao did not once put me down. And he kept referring to me as Mr Sirur!"

A couple of months later he was to run headlong into another crisis. One of Track-4's dealers placed an order for some hardware. As per rules, Prahlad was required to check the order for 'effective servicing'. Part of the order was a hard disk controller of a certain type. Prahlad ordered a different type. That turned to be a costly mistake. Kafkat had to give a free replacement worth Rs 65,000.

When the dealer wrote in, it was the worst day of Prahlad's life. He went to Madhav and explained most gingerly. Madhav nodded briefly, and said, "Send me a mail on this, please?"



**He felt a deep sense of something he could not define. But to his dad, Prahlad said, "They were so decent, dad! Mr Rao did not once put me down. And he kept referring to me as Mr Sirur!"**

A week later, Prahlad received an email reply from Madhav with the approval. The breath he had held in these seven days, he now exhaled in utter relief, when suddenly, he saw, there sat below Madhav's reply a whole chain of mails! His first mail explaining the error and asking for replacement had gone right across the organisation and up, all the way to Anuj Rao! No one had hidden the issue: *yes the sales guy made a mistake, he is a fresh recruit.* He read each of the nine mails below, took in the language, and came up all the way to Rao's reply: "If our guy made a mistake, we need to replace. Approved."

No bad mouthing, no reprimanding, no nothing. Prahlad met Madhav. "I am really sorry about this Madhav...I didn't know..." Madhav shook his head in a dancing sort of way and said, "Prahlad, while growing our sales, we have to grow you also no? All of us here have our battle scars! Rao is Latif's disciple almost! Both believe in open management styles. The fact that the mail chain was clear and transparent is education enough. But make sure you write out your 'learning experience' report and file it."

Soon, Prahlad became a key part of Track-4's evolution. Therefore, he was assigned the task of working on the annual performance update presentation on Track-4 for the CMD. "And you will present it, Prahlad," Madhav had said.

Around then, a sale got into conflict between direct sales and Track-4 sales. Madhav took a decision on it as regional head, and he gave Prahlad the go-ahead to run with it and settle it early. So, Prahlad got cracking with the implementation.

# Case Study young managers

One day, without a warning, the GM, Kaushal Dhir, walked into the conference room where Prahlad was test-running his presentation, and blew him up for going ahead with the implementation. "How can you do this? You should have bothered to ask me, no?" Prahlad's face went white. He said, "Sir, Madhav told me to do it..." Dhir was annoyed. "What do you mean Madhav told you? I will talk to Madhav! These things are not done like that!" And Dhir shuffled to the telephone hastily.

It didn't make sense, but Prahlad felt very vulnerable and small. And right before his eyes, Dhir called Madhav and said, "*Yaar*, you come to the conference room, please. This matter is serious."

When Madhav arrived, the sequence of events would have made anyone else laugh, but Prahlad, who was so worn out with eight days of working 17 hours on the presentation. So, Madhav arrived and Dhir said, "How can you?" And Madhav explained why he could, and Dhir swore he could not...Madhav heard him out and said, "Yes Kaushal, you are right. I will change that." Then, turning to Prahlad, he said, "See me in the evening. I will explain this to you, OK?"

When Madhav left, Dhir's demeanour changed, and he slapped Prahlad on the back and said, "So, young man, how are you liking it? Are you happy?"

And Prahlad broke down.

It was most unexpected. Dhir was at a loss. For a minute, he was most flustered, then he said, "You come to my room, please." There he got to the root of the issue. "What is the matter? Are you unhappy? Did anyone say anything to you? You just tell me, please!"

Prahlad had been in Mumbai eight months and had shifted transit houses thrice, unable to bear the smell of fish in Colaba. He missed home very much, but did not have the nerve to ask for leave, fearing that HR would agree since he was Sirur's son. Last week, he had also learnt that his cocker spaniel Espresso had been put to sleep. He was working through the weekend, so he could not even bid Espresso farewell.

And now Prahlad would not talk; he just apologised and called it a silly aberration. But Dhir was alarmed. He called Madhav and said, "You come here, please. And now."

When Madhav arrived, Dhir yelled at him. "What kind of a boss are you? The lad is new, he is young, you should counsel him well, now should you or not? Just look, please. See his condition." And turning in the same breath to Prahlad, he spoke at length about mistakes, how valuable they are. "This is how you grow. Why are we here then if we wanted to place responsibility on a trainee, correct?"

**"I used to wonder why people rave about Mr Latif. Now I have seen, it's his ability to grow continuously, putting work and others above himself. He has always nurtured growth based on a foundation of ethics, not at any cost"**

The door opened and Shiv Ramdas entered. Prahlad looked at him and as he yelled out a greeting, his voice cracked in happiness. Finally, he was meeting someone from home! Dhir was taken aback, "You two know each other?" Shiv laughed. "Why, you also know his father! He is Sirur's son! He had this big bee in his bonnet about working where his father was and so, we decided, no one except HR will know who he is! But now it is OK, yes?" he asked Prahlad.

Even as Madhav looked shocked, Shiv said, "The venue for the chairman's presentation on Track-4 has been changed to Bangalore. Mr Latif wanted Prahlad to meet his family...it's been eight months. I have the pleasure of conveying this message!"

* * * *

This time there was a Diwali party at the Bangalore corporate office. Aroop Saxena, was quick to find Prahlad. "Hello there, timid one! How's it going? I understand you are now working for the man you thought was a bubble? *Kuch ban raha hai* or would you like me to check at Anemore?"

Prahlad smiled recalling the comments at yesterday's presentation. Not loud, not exaggerated, not underplayed. Not even patronising. He felt a deep sense of relief....He now said, "You know...there are organisations that build you and there are organisations that ask to be built. Kafkat grows by building their resources. It's real stuff, man!

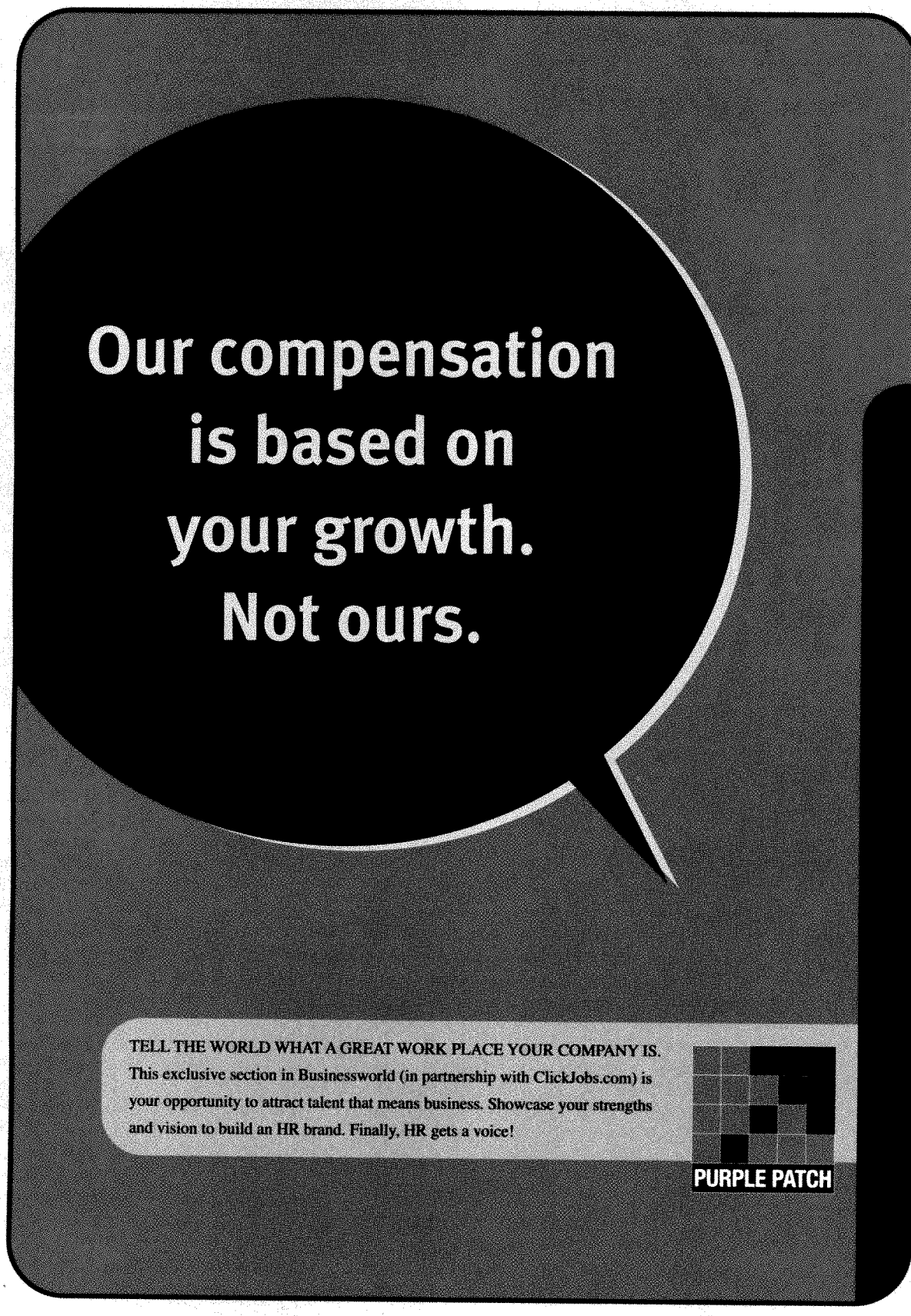
"I used to wonder why people rave about Mr Latif. Now I have seen, it's his ability to grow continuously, putting work and others above himself. You can say that about your J.B Aryaveer too except Latif has always nurtured growth based on a foundation of ethics; not growth at any cost. He has this ability to separate grain from chaff and then he works only on the grain... then he gives them opportunities to make mistakes and the freedom to play. I have seen this myself, and it is so secure, the feeling."

Aroop laughed. "Tell me, at 26, two years from now that is, will you be assistant vice president like I am? Will you be driving an Innova? Will you have club membership?" Prahlad shook his head. "If that's what I wanted, I would have joined Aryaveer's Anemore, no?"

*casestudymeera@gmail.com*

**Classroom/syndicate discussion**

*Organisational vision flows from the top. How is it sustained and allowed to permeate right down to the trainee?*




For research and value added services write to : purplepatch@bworldmail.com. For advertising enquiries: North: Meenakshi Jha (meenakshi.jha@abp.in, +91 9899043937) East: Aniruddha Chatterjee (aniruddha.chatterjee@abp.in, +91 9903385226) West: Suprokash Mukherjee (suprokash.mukherjee@abp.in), +91 98191 49454) Bangalore: Bharat Srinivasan (bharat.srinivasan@abp.in, +91 98862 90197) Chennai: R.V. Praveen (r.v.praveen@abp.in, +91 98840 14966) Hyderabad: Amit Sinha (amit.sinha@abp.in, +91 9849426157)

# Big Mistakes, Big Lessons

**Denial can be the greatest hurdle that leaders face in becoming self-aware**

ALBERT EINSTEIN, IN HIS ATTEMPT TO DEFINE SUCCESS, recommends this alternative formula: "Try not to become a man of success, but rather to become a man of value. He who is considered successful in our day gets more out of life than he puts in. But a man of value will give more than he receives."

Effective alignment of people with an organisation is a result of many critical leadership ingredients such as vision, values, clarity and context. It is also about nurturing creativity, intuition, active imagination, and emotional intelligence.

Therefore, the vision of the senior leadership team will be necessary to create alignment with individual competencies such as ability, passion, talent and potential.

Another experience of sleaze at Daulat Cooperative Bank teaches Prahlad one important ground reality. He articulates this in the meeting with Latif, "Well, I realized that there is a difference between selling hardware and selling a 'solution' — and this affects business; importance of things like contract, agreement, expectations, etc. I should have taken all these into account."

The lawyer, Pinakin Varia, also captures this ground reality in his matter-of-fact summary: "*Arre!* Branches *chal raha hai na? Kaam ho raha hai na? Bas!* Then the software is working!" Prahlad has begun to accept the reality that success is not always about the quality of output; vested interests of the powers that be have to be managed too.

When 75 members of Stanford Graduate School of Business' Advisory Council were asked to recommend the most important capability for leaders to develop, their answer was nearly unanimous: self-awareness. Yet many leaders, especially those early in their careers, are trying so hard to establish themselves that they leave no time for self-exploration. They attempt to achieve success in tangible ways that are recognised in the external world — money, fame, power, status, or a rising stock price. The Aroop Saxenas of the world will surely laugh and ask, "Tell me, at 26, two years from now that is, will you be assistant vice-president like I am? Will you be driving an Innova? Will you have club membership?" The drive of such individuals enables them to be professionally successful for a while, but they are unable to sustain that success. Knowing their authentic selves requires the courage and honesty to open up and examine past experiences. As they do so, leaders become more humane and willing to be vulnerable.

This is the beginning of a new experience for Prahlad, and that is the importance of making mistakes and learning from them. What is important to remember here is that there are organisations where "making mistakes" is encouraged as a value. The tolerance of Kafkat's senior leadership to absorb mistakes by junior employees is an example. Prahlad's decision to order a different type of hard-disk controller for a customer turned out to be a costly mistake. Kafkat had to give a free replacement worth Rs 65,000. Madhav and Dhir later explained to Prahlad that, "This is how you grow. Why are we here then if we wanted to place responsibility on a trainee, correct?"

Denial can be the greatest hurdle that leaders face in becoming self-aware. They all have egos that need to be stroked, insecurities that need to be smoothed, fears that need to be allayed. It is not about the success of Track-4 with Mittal, or going ahead with the execution without consulting Dhir! That there also exist individuals such as Mittal and Dhir, even in a strong value-driven company like Kafkat, is another important lesson for Prahlad. Mittal and Dhir are not bad human beings, just that their expectations in the powerful positions they occupy still have traces of the old-school belief that newcomers and juniors must pay homage and acknowledge the existence of significant and powerful individuals in the organisation. Unlike Mittal and perhaps Dhir, value-based leaders realize that they need to listen to feedback, especially the kind they don't want to hear.

The values that form the basis of true leadership are derived from personal beliefs and convictions. It was difficult for Prahlad (and Shiv Ramdas earlier) to know what their true values were until they were tested under pressure. It is relatively easy to list your values and to live by them when things are going well. When your success, your career, or even your life hangs in the balance, you learn what is most important, what you are prepared to sacrifice, and what trade-offs you are willing to make.

And that is why Prahlad shook his head, in response to Aroop, and said, "If that's what I wanted, I would have joined Aryaveer's Anemore, no?"

*The author is Executive Director with private-equity investment firm Tamara Capital Advisors, Mumbai*

*mbose@tamaracapital.com.*

rajesh m. parikh



# Time To Ask Quo Vadis?

**We need to find work which is in harmony with our inner selves to be at peace**

PERHAPS PRAHLAD LIKE THE ANCIENT ROMANS needs to ask himself where he is headed. He should do this now more than at any other point in his career for he may just be entering his comfort zone. The young man's journey has taken him through the garden of good and evil. He has encountered dishonesty and corruption and has been repulsed by what he has seen. Finally, he seems to have found his true calling. Should we celebrate his success? Or should we play a spoilsport and urge him to ask himself some hard questions, such as whither goest thou?

Naushad Latif, like any effective leader, has set the vision for the organisation and has ensured that it permeates all the way. In his personal life, he embodies this vision and he clearly sees his role as that of nurturing and inspiring others.

He fosters this by an ongoing genuine interest not just in the company but in the men and women who constitute it.

Men such as Naushad Latif build great organisations and in the process, they also nurture many young Prahlads into actualising their true potential.

The organisations that our young protagonist has tormented himself against earlier lacked integrity and leadership. A management trainee fresh with youthful idealism seeks direction. Paradoxically, he often seeks the direction that he himself wants — one that is in harmony with his way of being. Kafkat India's strength is that there is a way of being that permeates through the organisation and is evident at every step. Kindness, tolerance, integrity, and support of one's colleagues have become a way of life at Kafkat.

Mr Latif seems to intuitively realise that one cannot build up an organisation without building up the people who man it. He is a benevolent patriarch.

"God is in the details," said the German architect Ludwig Rohe. A successful management trainee learns to pay attention to and value the details. Prahlad is astounded in his first meeting with Naushad Latif that the man has paid attention to Prahalad's earlier venture as well as to his current shirt! During his training and apprenticeship, he sees the great attention to details for himself. It is not at all a question of being told to be meticulous. Rather, it is one of seeing it happen around oneself on a regular basis.

A company that pays this degree of attention to its people is bound to nurture in them an equal intensity of detail for its products and its clients.

We can truly respect others only when we respect ourselves. At Kafkat, all employees seem to be treated with courtesy and respect. They, in turn, treat each other as well as their clients in a respectful manner.

The clients too learn that the company values its people as much as it values their business. Thus courtesy becomes yet another quality that Prahlad experiences on a daily basis unlike in his jobs.

Once again, like the larger vision that encapsulates it, courtesy flows from the top in the company and permeates everywhere. So, Prahlad has every reason to be pleased.

Now, it seems like we are at the end of a morality tale.

Good guys do win eventually. Good companies do exist after all. This when a recent survey has demonstrated that the majority of executives world-wide encounter corruption on a regular basis. For Prahlad, it has been a tortuous journey but certainly one that has been worthwhile. He has painfully discovered during this process the travails of doing business and yet is happy to have found an organisation that values his integrity and one that he respects and loves.

Yet, some might argue that Prahlad's journey has hardly begun. Does he see himself becoming like his father. Will there be room for his own individual growth and creativity at Kafkat?

Will the company get obsessed with producing Latif clones? Even if Latif is a good man, is the idea of cloning him endlessly good in itself? Should Prahlad remain in this insulated incubator forever? These are the questions he needs to ask himself soon.

Regardless of what future path he chooses for himself, Prahlad's odyssey has lessons for us. We do need to find work which is in harmony with our inner selves if we are not to fall apart. There are great organisations and great individuals around us. It is just a question of identifying them.

It is rarely possible to do so without trial and error. And it is even rarer to be able to do so without some degree of pain. And just when we have found the perfect career, perhaps we need to ask ourselves, "Quo Vadis?"

*The author is director of Psychiatry Research at Mumbai's Jaslok Hospital*

# Elisha Gray.

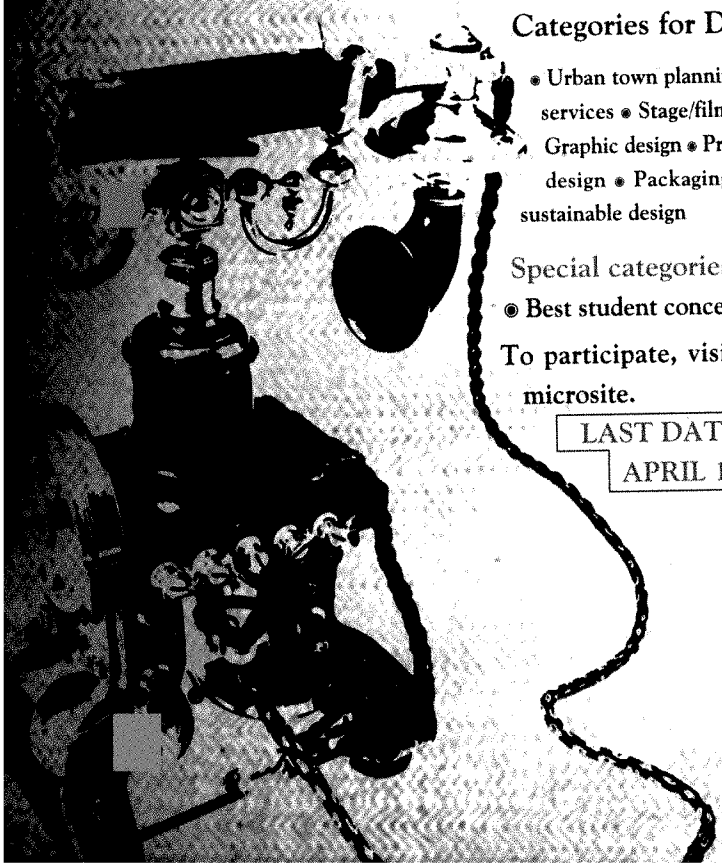
A Quaker from rural Ohio, who applied to patent his working design for the telephone, just a few hours after Alexander Graham Bell.

# Alexander Graham Bell.

You know who.

**Businessworld invites entries for the Design Brilliance Awards 2008. Send in your entries now or wait till it's too late.**

Some people are always in the right place at the right time. The rest, well, they're called 'the rest' for a reason. Precisely why we invite you to send in your entries for the Design Brilliance Awards right away.



## Categories for Design Brilliance Awards 2008

• Urban town planning • Fashion and lifestyle • Social design including products and services • Stage/film set design, production and cinematography • Digital design • Graphic design • Product design • Furniture design • Transportation and automobile design • Packaging design • Animation • New media installation • Green and sustainable design

Special categories added:

• Best student concept • Designer of the year • Lifetime Achievement award

To participate, visit www.businessworld.in and fill up a form on the microsite.

LAST DATE FOR ACCEPTING ENTRIES EXTENDED TO APRIL 16, 2008 DUE TO GREAT DEMAND.

future group

presents

DESIGN | BRILLIANCE AWARDS 2008

Businessworld

राष्ट्रीय डिज़ाइन संस्थान
NATIONAL INSTITUTE OF DESIGN

LIFESTYLE

# Young luxe

**Big brands are pandering to parents' vanity and putting children too in luxury's lap**

"LOVE DON'T COST A THING," CROONS LATIN-american singer Jennifer Lopez. But she acts otherwise. She has reportedly hired a masseuse and a colour therapist for her new-born twins. If you thought that was over the top, here is more. Lopez is said to have ordered two Shetland ponies along with diamond-encrusted rattles and designer babygros. Before you dismiss it as celebrity eccentricity, here's a thought. If you still dress up your kid in pink and character dresses, such as those of Barbie or Superman, forgive your child for considering you old-fashioned, or even stingy.

With brands such as Gucci, French Connection, Burberry and Lacoste presenting

**BRAND-PRECOCIOUS:** Children track fashion trends and want branded luxury their parents enjoy

# In Vogue

**DESIGNER BOOTIES:** Children have the best of the world at their feet as brands vie to woo them

their kidwear and accessories in India, luxury-loving parents are giving their children the same brand advantage that they allow themselves.

"Today's kids are more fashion conscious than their adult counterparts," says Bhavani Sharma, a Mumbai-based fashion consultant. "They know who the designers are, and which model is sporting what styles and cuts on the ramp." Adds the India spokesperson for FCUK, "Designer brands are creating things for kids that mimic grown-ups' edginess in fashion."

So, even before your child can spell 'luxury', you can put her feet in Gucci booties and have her smelling of Burberry perfume. The designers also work on packaging to attract parents and children. For instance, Burberry Baby Touch range of perfume, shampoos and lotions come in gentle shades of ivory, lilac and baby blue and are packaged in cute, cuddly bottles.

**TENDER DESIRES:** Gucci has an extensive line of kid goodies

The market is not just buzzing with designer clothes or accessories. Spas are also trying to cater to children. Besides offering healthcare routines to children who accompany their parents on spa visits, many spas have homed in on the birthday treat market. Birthday parties are not complete without the honorary visit to a spa. Many spas even help organise birthday parties complete with services such as chocolate manicures and pedicures, ice cream bath fizz, shower sherbet scrub, foot masks and body icing.

Some salons claim that they encourage children to be creative. At Water Melon Kids Salon in Mumbai, for example, children are encouraged to design their own hair with suggestions on hair sprays and colours. "The hair stylist listens patiently to kids' ideas," says an attendant at the salon. "This gives the kids an opportunity to play with their own look and feel good." In addition, such salons aim to charm kids by providing them vibrant-coloured cars or trucks as seats, and mini TV sets at each table, besides a playzone and mini theatres.

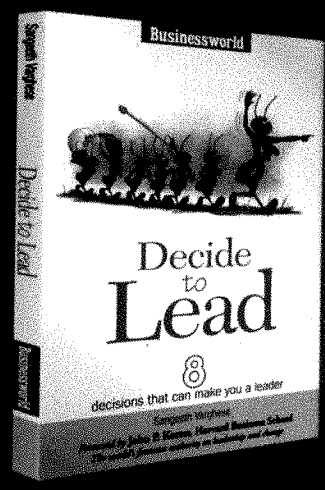
If fitness is becoming a part of parents' lifestyle, children are not far behind. Fitness gurus and kindergartens are joining hands to launch kids' gyms.

For instance, fitness expert Leena Mogre has partnered with a playschool chain to start a fitness centre in Mumbai for children between four and 11 years. She will open 11 more such centres across India. These gyms have special fitness equipment that are suitable for children. The treadmills, elliptical trainers and rowing machines are all manual and don't use electricity.

Lifestyle consumption has become a bridge between childhood and adulthood. With children imitating parents, and fashion models and parents trying to model their children in their self-image, this new consumer of uber luxe is certainly leaving behind what was once termed 'childhood innocence'.

*Meghana Biwalkar*

# NINE DECISIONS CAN MAKE YOU A LEADER. THE FIRST ONE IS TO BUY THIS BOOK.




## By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order of "Businessworld Decide to Lead", fill this form & mail it to us:**

Name: Mr/Ms _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ 5 copies for Rs. 1795/- (10% bulk discount)

Cheque No./DD No. **(In favour of ABP Pvt. Ltd.)**: _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.

## Entertainment

### TAMIL CINEMA: *DEJA VU*

LEAPS IN ENTERTAINMENT technology these days seem to be accompanied with creative deficit. Hollywood is in the midst of a sequel boom — *Indiana Jones*, *Batman*, et al — as contemporary America offers no new hero prototype. Back home, Tamil cinema is also buffing up old hits to pull crowds to the box office.

*Billa 2007*, the remake of Rajinikanth's hit *Billa* of the 1980s, is one of the biggest grossers in the past few months. *Naan Avan Illai*, a remake of the much earlier Gemini Ganesan film, is a hit, too. This has made a host of producers toy with the idea of remaking old hits.

"People are playing it safe," says director Radha Mohan, maker of last year's critically acclaimed and commercially successful *Mozhi*. "They are remaking only old hits that jell with the audience."

People are lapping up remakes. The presentation is different and refreshing. For instance, Billa 2007 is slick and scores over its original in production values, cinematography and amazing action sequences. Serious movie aficionados want old classics such as *Server Sundaram*, *Maya Bazaar* or *Neerkumizhi* to be remade.

The Tamil movie industry turned out a record 31 releases in the first quarter of the year. Such profligacy must drain the creative juice of the industry.

With NRIs pouring in money and a host of small-budget films hitting screens regularly, there is bound to be a lot of clutter. The Tamil film cocktail is getting a lot of old wine, albeit served fresh.

*M. Allirajan*

### ART

## Harmony of art and capital

SUBHABRATA DAS

**ART OF BUSINESS:** Ambani's art show also has Reliance Capital advising investors

ART IS IN VOGUE NOW as surplus money seeks new refuges, but Tina Ambani's annual exhibition of contemporary Indian art is no wannabe venture. She started her patronage of Indian art in 1997 at the onset of a near-recession. The 13th exhibition organised by her Harmony Art Foundation opened in Mumbai on 27 March at Nehru Centre.

The show has mixed-media works, installations, photography and experimental art. Also, Reliance Capital is displaying its investment options at the show.

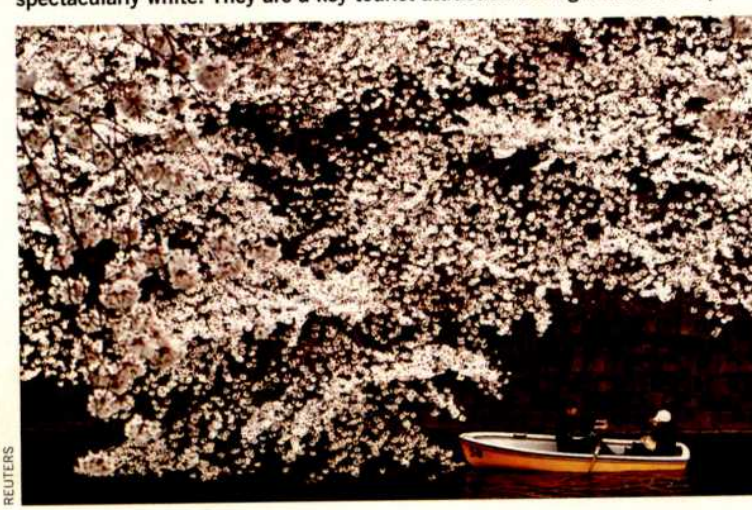
"Harmony is about the vision of the potential of Indian art," says Tina Ambani. This year more than 50 of the 173 artists showcased at the Harmony Art Show are under 35 years of age. The works showcased begin at Rs 6,000 for ceramics and at Rs 10,000 for paintings, going up to Rs 35 lakh for masters such as Jogen Chowdhury, Manu Parekh and Sakti Burman.

This year's artist in focus is Gujarat-based Dhruva Mistry. "Mistry brings rich imagery and narrative content to an astonishing body of work, diverse in style and scale," says Ambani. "He gives shape to his creativity through bronze, cement, stone, canvas and steel."

With art and investment options together, this Ambani harmony looks good for many more years.

*Manashwi*

**Flower shower:** Cherry blossoms paint Japan's landscape spectacularly white. They are a key tourist attraction during March and April.



REUTERS

FASHION

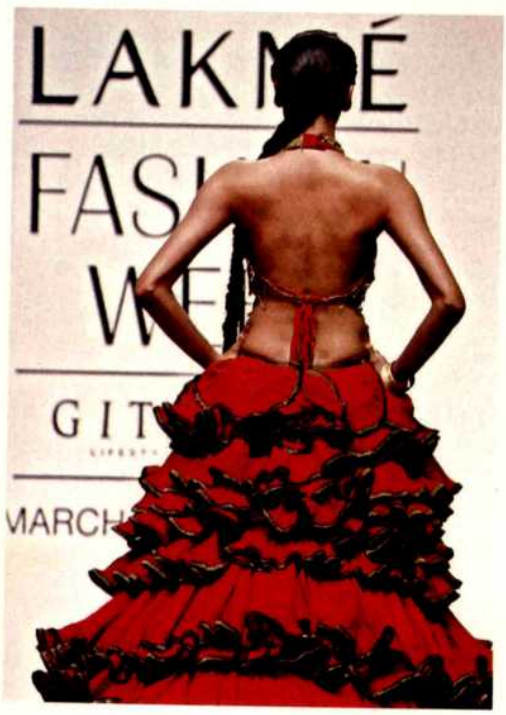
# Fashion fix

THE DESIGNER DISPlays at Lakme Fashion Week (LFW) 2008 indicated that the Autumn Winter collections for the year would favour accentuation of body shapes through high-waist outfits with emphasis on shoulders, sleeves and back cuts, and use of strong colours.

J.J. Vallaya showed his 'Paisa' collection with structured outfits in red, black, brown and gold. Kiran Uttam Ghosh played with soft fluid shapes, bringing a Western touch to Indian attires such as the angarkha. Krishna Mehta used parrots and peacocks into her graceful collection of flowing, embellished dresses. Nachiket Barve in his 'Zoom in, Zoom out' collection used magnified details of floral and aerial views of river and earth.

Business, however, has been mixed. Though there were about 60 buyers, including Elsye Kroll of the trade show Coterie, Albert Morris of fashion store Browns, and Pamela and Lydia Pearson of La Rinascente, many of the collections did not excite them.

*Meghana Biwalkar*




**SHAPE OF THINGS TO COME:** An Autumn-Winter design at LFW

BON VIVANT

# Brioni power

YOU HAVE TO GIVE IT TO THE ITALIANS. THEY KNOW how to make the most desirable sports cars to the most desirable power suits. While Ferrari's Indian dealership is still months away, Indians no longer need to go abroad to get their power suits stitched or serviced. Ermenegildo Zegna and Brioni, the two Italian tailoring brands that vie to dress the richest in the world, have set up shop in India. With each suit costing several lakh rupees, their clientele is of great interest to the Indian tax department also. But client confidentiality is the cornerstone of the luxury business.

But it is not just the price that makes these suits exclusive. All Brioni suits, for example, are hand-made by Italian tailors using Italian textiles and buttons, albeit with global raw material that is often made to the firm's specifications. Customisation of textile can go to the extent of ordering breeding of a particular kind of sheep for a particular length of wool hair. Its latest limited collection, the story goes, was made with wool from specially bred sheep in Australia and New Zealand that produce the longest hair length in the world — 8-10 cm, twice the normal length. Only 430 suits can be made with the resulting fabric.

While the continental look is the ace in the suits of these brands, Brioni is ready to add Indian-style coats and jackets. In fact, it sold many 'Nehru jackets' in the 1960s when India's first prime minister's sherwani was considered a fashion statement in Europe.

SPORT

# Time to saddle up

**Youngsters can join the elite sport by part owning a racing horse**

HORSE RACING HAS BEEN PUSHED TO THE periphery of speed sports as zooming Formula cars consume the attention of young thrill seekers. This sport of kings, stigmatised as gambling in India because of associated betting, is also finding it hard to attract youngsters to own and train horses.

One way to take the sport to today's savvy youth could be to position horses as an investment, believes stud farm owner and trainer M.S. Jodha. Typically, a one-year-old horse from an average bloodline would cost under Rs 6 lakh, while one from the bloodline of champions would cost in excess of Rs 20 lakh. The Royal Western Turf Club of India (RWTCI) in Mumbai allows syndicated ownership of horses — up to eight partners are allowed to own a single horse. Ownership will lead to youngsters' involvement with training and maintenance of the horse, Jodha says.

However, maintaining a horse is not easy. "Ensuring that a race horse gets the right amount of high-protein diet and exercising it is a full-time job," says stable owner and trainer Asad Siddiqui. In fact, horse training is a dying vocation. The old trainers at RWTCI are finding it difficult to get apprentices who love horses, despite rich rewards for the job. "Young people are not taking to training horses because of the stigma of gambling on horse racing," says Imitiaz Sait, a trainer.

Training a race horse is like training an athlete. Once done purely on gut feel, today technology helps trainers understand horses' body movements and develop specific exercise to convert potential into achievement.

While boys are losing interest in horse racing, there is an inkling of rising interest in owning and training horses among women. At RWTCI, there are a couple of women who are doing so.

Though the passion of owning, training and racing horses is its own reward, it helps that race horses have a resale market. Many schools and parents buy old horses for riding lessons. So, there is an opportunity to bet on a horse outside the race track too.

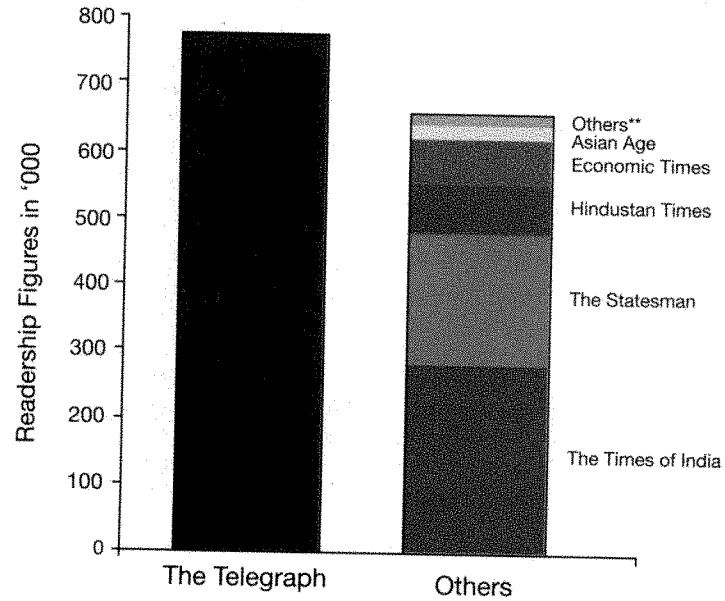
*Vishal Krishna*

**STUD STUFF:** Asad Siddique is one of a few people who own and train horses

# The Telegraph

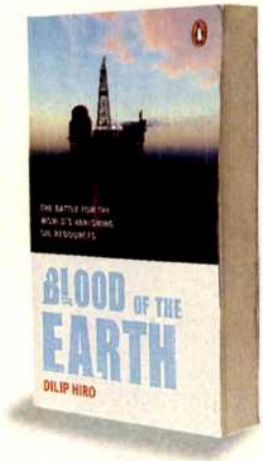
# 1>2+3+4+5+6+7

**The Telegraph** is larger than **all** its competition combined.*




*Source NRS 2006, English dailies, Calcutta.
**Others-Indian Express, Financial Express, Hindu Business Line.

3048.2008




# In The Quest For Black Gold

by m. rajendran

**BLOOD OF THE EARTH THE BATTLE FOR THE WORLD'S VANISHING RESOURCES BY DILIP HIRO PENGUIN, PAGES: 406; PRICE: RS 450**

THE COMPETITION FOR OIL OVER THE PAST century is set to reach its final phase with oil production projected to peak in 2012. The number of countries with the ability to export this commodity is also shrinking fast. This is forcing not just China and India — the two fastest growing economies with an increasing demand for oil — but also the world to look for alternative options such as new reserves and non-conventional resources.

The potential shortage of oil has set the stage for the predicted oil wars of the 21st century.

Germany surrendered on 11 November 1918 to the Allies; the major factor for the surrender, according to Dilip Hiro, is believed to be an acute scarcity of oil products that the German forces faced in the approaching winter. The author quotes Henry G. Berenger, director of Comite Genrale du Petrole of France, as saying that "blood of the earth" had proved to be "blood of victory...Germany had boasted too much of its superiority in iron and coal, but had not taken sufficient account of our superiority in oil."

In *Blood of the Earth*, Hiro makes a valiant effort to highlight the role of oil in war. Valiant, since the author has not only brought out the direct role of oil supplies in the way a war pans out, but has also highlighted the strategic alliance between oil producing countries and the business of oil in developing countries.

China is now the world's second largest energy consumer, trailing only behind America. And India has moved up to the fourth place behind Russia, after overtaking Japan in 2001. By 2020, half of the oil output will be consumed by the developing world, up from its present share of a third of the total.

**DILIP HIRO** was born in the Indian subcontinent and educated in India, Britian, and the US. He is now a full-time writer and a journalist whose works include both fiction and non-fiction. He is a frequent commentator on Middle Eastern, Central Asian, and Islamic Affairs on various radio and TV channels.

Hiro uses his wealth of knowledge collected from extensive travel and interactions in the Middle East, US, India, China, and Latin American countries to draw attention to the intricate permutations and combinations that rulers, policymakers and businesspersons use to gain and retail control over this wealth.

The author often dips into the history of George W. Bush and his ancestral association with the oil business to provide an interesting insight into the business, politics, diplomacy and personalities of the global oil industry. For all those who claim to know about the sector and those who wished that someone would explain the dynamics of the rather complex world of oil business, Hiro's book is a must read. Much like grandma's bedtime stories, this, too, is full of details and drama as if the narrator had personally witnessed the unfolding of the events.

Take the author's narration of the Indian oil story. He begins in the mid-1860s, when the British built a rail line from Calcutta to the tea gardens region using men and elephants. He tells, with great detail, the tale of how, while working near a site called Digboi — a derivative of the "Dig, boy, dig" call that the Scottish foreman frequently issued to their workmen — an elephant appeared with his feet smeared in oil. That was sufficient evidence for James Goodenough of Mckillop, Stewart and Company to persuade his employer to drill for petroleum.

Delightful as it is, this is just a prelude to the rather grim picture he paints of the looming oil shortage in the country. Migrants from Kerala working in the Gulf, saving money to buy a vehicle add to the demand for oil as do the power shortages that cause hundreds and thousands of diesel guzzling generators to hum all over the country. This finding brought home the stark fact that while the energy crisis in the West is still believed to be on the horizon, in India as well as in China, it has actually arrived.

The author spells out the A to Z of the petroleum alphabet — A for aspirin, P for plastics, U for urea, Y for yarn — to prepare you to imagine what life would be without oil. He argues for the need to preserve the ultimate source of carbon and hydrogen if we want to hold on to essential

**BROWSING**
**G.R.K. Reddy**
Chairman & Managing Director, MARG

**I am reading The World is Flat by THOMAS L. FRIEDMAN. It captures the phenomenon of digital technology, which has the potential to change how we look at the world regardless of where we live. Friedman's curiosity and his ability to recognise the patterns behind the most complex global developments make this book interesting. I generally indulge in reading books on spirituality. They act as a complete stress buster for me.**

items such as the much loved family car, pharmaceuticals and sporting equipment.

However, he fails to create the same hype and excitement or demonstrate the same erudition when he stresses the need for adopting non-conventional resources of energy. Although the use of statistics to emphasise the environmental dangers does work to highlight the extent of the problem. The notes, a well-compiled chronology, the select bibliography, and extremely useful index help navigate the book easily. Well-compiled accompanying maps, charts and illustrations add value to the book, though the quality of the illustrations leaves much to be desired.

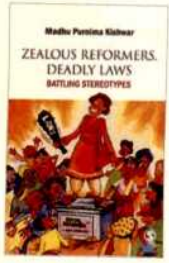
Hiro, who has also authored successful books such as *Secrets and Lies: The True Story of the Iraq War and Iran Today*, uses his journalistic experience to bind the technical aspects of oil with the current events to keep readers glued to the book.

"Third World feminists are to be given grace marks because they belong to the underdeveloped category, in the same way that we set lower qualifying criteria for Scheduled Caste/Scheduled Tribe candidates in education and jobs."

However, one wonders, why, with her kind of writing, she needs to resort to rhetorical expressions. In an article on the law on prohibiting indecent representation of women, she says that any gazetted officer of the government can charge anyone on the grounds of possessing 'objectionable' matter. And if the person is exonerated, the officer cannot be charged for harassment. Then, needlessly, she goes on to add, "A government officer, by the virtue of being a government officer, is above the law, unaccountable to anyone for his actions." This is not an argument, but a poor attempt at forcefully driving home her point, something that doesn't go too well with her otherwise compelling writing.

*—Jayant Singh*

**SELECTION 1**




## Rethinking Feminism

**ZEALOUS REFORMERS DEADLY LAWS BATTLING STEREOTYPES BY MADHU PURNIMA KISHWAR SAGE, PAGES: 419; PRICE: Rs 495**

SOME CREATE STEREOTYPES, SOME ADHERE TO stereotypes and some break stereotypes. Madhu Purnima Kishwar does not belong to any of these categories. She belongs to that glorious category of people who go against the grain to identify new stereotypes only to break them with all their might. A feminist herself, she has mostly targeted feminist groups for bringing up all the wrong issues in the name of women's liberation. ZEALOUS REFORMERS, DEADLY LAWS: BATTLING STEREOTYPES is a collection of her articles critiquing such feminist groups as well as legislation and implementation of laws relating to women's rights in India.

Kishwar has the uncanny ability to make the most dynamic and progressive ideas seem stereotypical and regressive. Her writing is delightfully scathing and may seem polemical to some, but the ideas that she puts forth need such strong writing to make them widely acceptable. She points out how Deepa Mehta's *Fire* was hailed as 'a landmark film' by Western feminists who view India as a poor, ignorant country where one should encourage even sub-standard cinema in the name of feminism. She says,

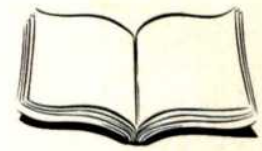
**SELECTION 2**

## Adventure With Ideas

IN BETWEEN ETERNITIES (Penguin), Ashvin Desai, writer Anita Desai's husband, sets out on an adventurous task of "helping to dispel the curse of ignorance", armed with epigrams, aphorisms and regurgitations from across disciplines. His Renaissance zeal is unencumbered by the modern indeterminacy or ambivalence. He seems to have two assumptions; the universe is out there to be explained, and just as available is a corpus of knowledge that explains it. Desai had his epiphany while he sat looking at stars from his roof-garden. Not the one to dive into lived experience for his quest, he found that "just four search engines covered the entire ground"; philosophy, religion, mysticism and science. Riding on these engines, he trundled into his adventure. His omnibus ambition to explain 'Great Issues' — who are we, why are we here, is there a God? — yielded a paperback gnosis that classifies, compares, contrasts and summarises stated positions. It meticulously tries to avoid rigour, as it rushes to find its nirvana in being a confident primer on life and cosmos. Yet the book is not as predictable as Desai may consider the universe to be. It charms with quotations from Sufi and philosophic lore; small delights while you work your way out through heaps of knowledge.

*—Dharminder Kumar*

**ALERT**



**THE SECOND WORLD: EMPIRES AND INFLUENCE IN THE NEW GLOBAL ORDER**

**BY PARAG KHANNA**

**ALLEN LANE**

**Parag Khanna undertakes the rather ambitious project of explaining the new global order in this book. He takes us on a journey from Azerbaijan to Venezuela and everything in between to show how the three superpowers — China, the EU and the US — are competing in this 'Second World' to gain global supremacy and shape the new world order. In this global geopolitical travelogue, he also makes a stopover in the Middle East to highlight Iran and Saudi Arabia's quest to dominate the Arab world.**

# The Business Of Pay

THE VI PAY COMMISSION TOURED THE COUNTRY for 40 days, and met over 450 delegations and representatives. Amongst them were Indian Speech, Language and Hearing Association, Railway Track Machines Employees' Association, Delhi Patwari Kanungo Association, Central Soil and Material Research Station Group B R&D Professionals' Association, Association of Pensioners of National Library, Andaman and Nicobar Wild Life Workers' Union, Central Cattle Breeding Farm and Regional Station for Forage Production and Demonstration Employees' Association, All India Railwaymen's Federation Trackman, Trolleyman, Petrolman, Gangman, Keyman Staff Union, and Pondicherry State Jail Warders' Association.

**What matters is not the quantity but the quality of government services; and its best judges are those who enjoy or suffer the government's services**

The VI Pay Commission decided to relate pay to performance. It engaged professors from the IIM (Ahmedabad) to find ways of measuring performance in the government, and from the XLRI (Jamshedpur) to find a way to measure the cost of an employee. The professors went into their task with zeal. But take a personal secretary: how do you measure his productivity? As a weighted average of the visitors he ushers in, the calls he fields, the files he sends up and the cups of tea he serves? All these parameters depend on the diligence of his superior, his rank, and his equation to his superiors; the personal secretary has no control on any of them.

So it is no wonder that the professors ran into difficulties in devising productivity measures. In many cases the only way they could find was to ask an employee's superior. This is already embodied in the annual assessments, which employees treat with fear and disdain. They have no faith in the objectivity of their superiors. Besides, nothing stays confidential in the government. It is always possible that the personnel officer or his clerk will leak the confidential report to the employee. So superiors are wary of writing too frankly; employees get assessments that are too favourable.

Professor Biju Varkkey of Ahmedabad IIM went about working out indices of productivity for the department of revenue in the ministry of finance. This department has long had schemes to reward officers for the additional revenue they muster. That is pernicious. Income tax officers deliberately overestimate tax and levy penalties without any basis. They openly tell their victims to pay and then ask for a refund. As a result, the officers get bonuses based on revenue they collected quite illegally; companies get back the wrongly charged tax after fighting cases for years. The income tax department, a bailiwick of P. Chidambaram, is the most unfair, corrupt and unpopular department of the centre. Customs used to be, but duty reduction has brought down its opportunities.

Similar glitches will be found in applying productivity norms to other departments; the IIM professors have been too naïve. That does not mean that performance measures are inappropriate to the government. But measures of productivity must be combined with measures of quality of work. Measuring the productivity of PWD by the square feet it built and repaired would be counterproductive. PWD is known for its substandard work; if its employees are paid on the basis of quantities, they will skimp even more on quality. Ideally, substandard work should not be included in work done at all. Failing that, work should be counted only when the user — and not just the superintending engineer — certifies it to be up to standard.

It would be even better if PWD had to compete for orders. But if there are private competitors, one must ask why PWD is necessary at all. It is a relic of the nineteenth century when private contractors were scarce and the kind of work required by the government, such as railway lines and bridges, was not familiar; in those days, there was a point in setting up a government department to build roads or rail tracks through wild country. Today, however, construction firms can be engaged from all over the world. There is no construction that private firms cannot do. And hence there is no work the government needs to do itself.

If we look at the government this way, there are very few things that the government need to do — that the private sector cannot do, or cannot do fairly. Law, order, justice and defence are the foremost. Productivity is a tricky concept to apply to these activities; quality is far more important. And the foremost measure of quality would be what the beneficiaries or victims of the government think of its service. It is not so much that the government produces too little: it produces too much of the wrong thing

**Jet Airways introduces Mobile Ticketing.** Now book air tickets from your mobile phone no matter where you are. What's more, you can cancel as well as avail refunds through this secure service. To start booking, simply SMS JetWallet to 56388 from your GPRS enabled phone or log on to www.jetairways.com/mobileticketing/ and download the application now!

JET AIRWAYS

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09, LICENSED TO POST WITHOUT PREPAYMENT
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 RNI NO. 39847/81

Microsoft

It's more secure and protected than ever, able to run longer and more reliably, and alive with innovations like Failover Clustering, Windows PowerShell™ and Network Access Protection. And ready to help unleash the potential of your servers and your IT department.

Meet the new Windows Server® 2008
at **microsoft.com/india/windowsserver2008**

Windows Server 2008

Meet Windows Server 2008.
The server unleashed

© 2008 Microsoft Corporation. All rights reserved. Microsoft, "Your potential. Our passion.", Windows Server, Windows flag & PowerShell are either registered trademarks or trademarks Microsoft Corporation in the United States and/or other countries.

VIRGIN'S 10 PAISE GAME P.26 TANISHQ'S BRILLIANCE P.54

Rs 10

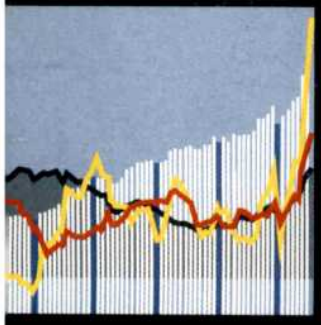
# Businessworld

www.businessworld.in

21 APRIL 2008

SUBSCRIBER COPY NOT FOR RESALE

## UP, UP, UP AND UP?

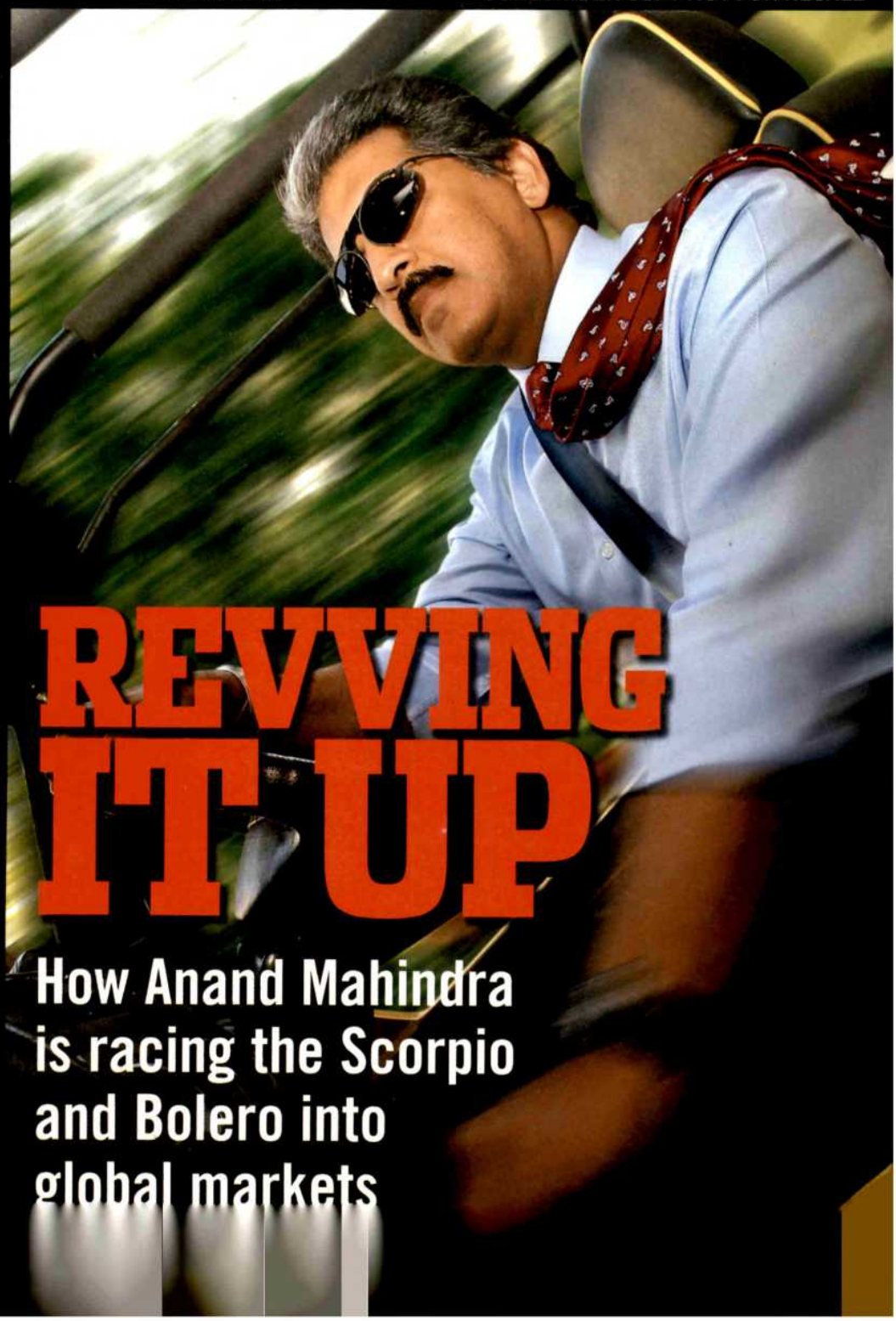


What is going to happen to inflation? PAGE 44

+

Videocon's second home-coming PAGE 48

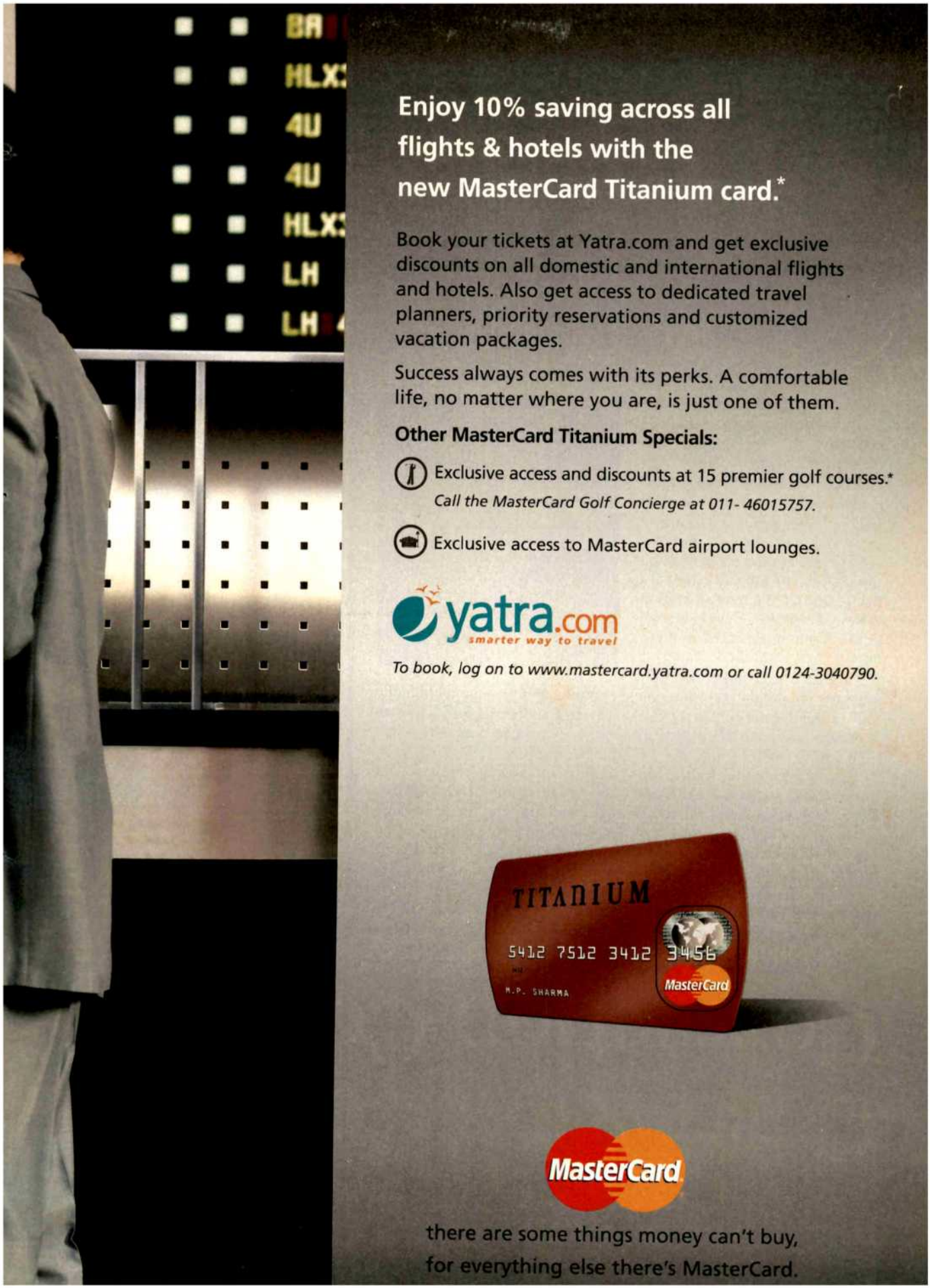
Bear Stearns of Indian banking PAGE 52



# REVVING IT UP

## How Anand Mahindra is racing the Scorpio and Bolero into global markets

ates & Ticketing
flight tickets to Singapore for board meeting: Rs. 40,000
MasterCard
hotel reservation and chauffeured car: Rs. 35,000
MasterCard
someone to take care of it all: priceless
McCann MCARD 545 08 R
*Terms and conditions apply. MasterCard is the registered trademark of MasterCard International Inc.


BA
HLX
4U
4U
HLX
LH
LH
Enjoy 10% saving across all flights & hotels with the new MasterCard Titanium card.*
Book your tickets at Yatra.com and get exclusive discounts on all domestic and international flights and hotels. Also get access to dedicated travel planners, priority reservations and customized vacation packages.
Success always comes with its perks. A comfortable life, no matter where you are, is just one of them.
Other MasterCard Titanium Specials:
Exclusive access and discounts at 15 premier golf courses.*
Call the MasterCard Golf Concierge at 011- 46015757.
Exclusive access to MasterCard airport lounges.
yatra.com
smarter way to travel
To book, log on to www.mastercard.yatra.com or call 0124-3040790.
TITANIUM
5412 7512 3412 3456
M.P. SHARMA
MasterCard
MasterCard
there are some things money can't buy,
for everything else there's MasterCard.

# Editor's Letter

# In The Fast Lane

**by jehangir s. pocha, editor**

THERE IS A RESTLESSNESS ABOUT Anand Mahindra even when he is perfectly still. The energy this nextgen CEO has injected into Mahindra & Mahindra since he replaced uncle Keshub at the helm in 1997 is transforming the company into a global SUV player. You'll see M&M vehicles ploughing through the traffic and mud in countries from Spain to Malaysia and South Africa. Now, M&M is also going after the mother of all auto markets, the US.

No Indian automaker has ever had the chutzpah to chase the much-wooed American buyer. But Mahindra is a sailor. He's picked up a good wind and is tacking close to it. His idea is simple: traditional workhorses, such as the Land Rover Defender, have alienated many customers by becoming very expensive. Enter the Scorpio and Bolero. Mahindra believes their rugged good looks, competent off-roading and thriftiness will make them attractive alternatives: Mahindra also believes his small, fuel-efficient diesel-powered SUVs will draw environmentally-oriented consumers away from the traditional American gas-guzzlers.

Though Mahindra failed to outbid Tata Motors for Jaguar-Land Rover, it could just as well be a boon for M&M. Just as it developed the indigenous technology driving the Scorpio only when an earlier JV with Ford ended, going it alone is forcing M&M to discover abilities it never knew it had. And not just in its much-vaunted 'frugal' manufacturing. M&M is showing surprising agility in predicting and responding to consumer preferences. Note how the Scorpio is the only Indian vehicle to have a small magnet on its dashboard to accommodate the religious figurines most Indians keep there.

If Mahindra fails in his global forays, M&M will lose face and money — up to $500 million by some counts. But if he succeeds, as we believe he will, M&M could gain about $1 billion in revenues by 2013, and become the developing world's first global auto player.


**Businessworld**

**Volume 27 Issue 48.**
**For the week 15-21 April 2008,**
**Released on 14 April 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
**Bangalore**
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*

# Expect a Premiere welcome on your next visit to Bengaluru and Mumbai

Savannah
SAROVAR PREMIERE
bengaluru
A SAROVAR HOTEL

GRAND
SAROVAR PREMIERE
mumbai
A SAROVAR HOTEL

The signature Sarovar Premiere experience never fails to delight you, with the sheer thoughtfulness that goes into every service, every gesture. Come, discover the welcome difference with us.

*Elegantly appointed rooms and suites • In-room dining service • A choice of Indian and international dining • State-of-the-art meeting, conferencing and banqueting facilities • Business centre • Swimming pool and health club • Wi-fi connectivity*

Savannah Sarovar Premiere
43/3 Whitefield Main Road, Bengaluru - 560 067
Tel: (080) 4030 1212 Fax: (080) 4116 3223
Email: sspb@sarovarhotels.com

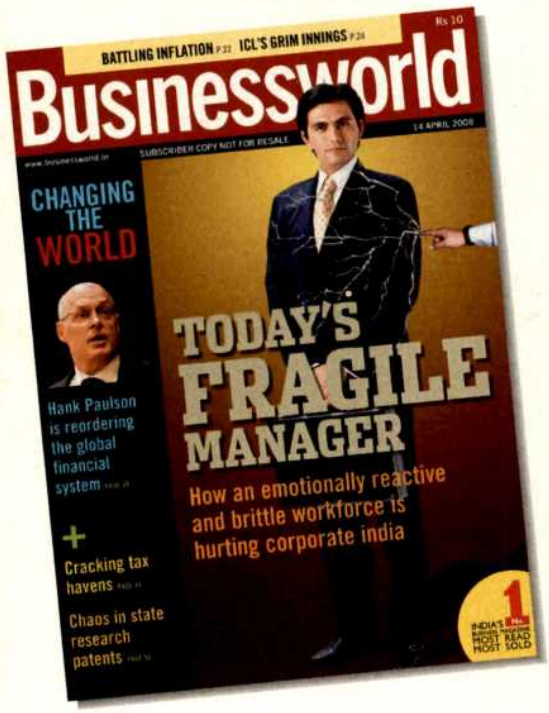
Grand Sarovar Premiere
A.K. Plaza, Junction of S.V. Road and Veer Savarkar Flyover,
Goregaon West, Mumbai 400 062
Tel: (022) 2871 8000 Fax: (022) 2871 8001
Email: gsp@sarovarhotels.com

Mumbai: (022) 6635 0800. New Delhi: (011) 2638 3851/2/3/4/5. Bengaluru: (080) 4115 3344/5588/5599.
Chennai: (044) 2826 5566/6644/4488. Kolkata: (033) 2228 7301/0301

**www.sarovarhotels.com Toll Free Reservations: 1 800 111 222**

enzconnm.com

# Feedback your comments




## Managers, Manage Your Emotions!

This is with reference to your cover story about corporate sociology (*BW*, 14 April). I think more than anything, the new trend of Indian managers and workers working for unduly long hours and their being expected to do so tirelessly has led to our workforce becoming emotionally fragile. Of course, it has also led to a significant reduction in the time needed to climb the corporate ladder but at the same time, the managers are suffering badly on the personal front. The state of their being emotionally fragile manifests itself in many forms but more often than not, others are not able to understand what lies at its root. Leaders should act like mentors and not like 'bosses'. Plus, companies must encourage a balance between their employees' personal and professional lives.

**Vineet Bhalla,** via e-mail

**WRITE IN AT**
bweditor@abp.in
or post us on
www.businessworld.in

## Learning To Live With Inflation

This is with reference to the very insightful article, 'Checks and Balances' (*BW*, 14 April). Inflation at a three-year high of 7 per cent is surely a worry. But, it is something that we can not escape in the increasingly uncertain globalised environment that we have entered. Let's recollect that even when inflation was at 3.5 per cent in October 2007 — which was well within the RBI's comfort zone of up to 4.5 per cent — the RBI Governor in anticipation of future developments commented that the country must learn to live with a reasonable rate of inflation. The general feeling that the credit and monetary policy due to be announced by the RBI on April 29 will have a very small role to play in moderating inflation is surely not without logic. If nothing else, the government needs to at least cut certain import tariffs and ban exports of food grains.

**Srinivasan Umashankar,** via e-mail

## Emotional Fitness Key To Joy

The young managers of today have great zeal to lead their organisations ('Emotionally Correct', *BW*, 14 April). But, I'm afraid, many of them are only good at managing their professional lives. They are hardly able to manage their personal lives and their inner selves. One of their failures, I believe, is that they are unable to mix pleasure with business. The lack of effective coordination between subordinates and managers typical of the Indian workplace leads to emotional insecurity on both sides of the fence and so does an excessively target-oriented approach. There is an urgent need to cultivate a positive attitude.

**Mahesh Kumar Dadrwal,** via e-mail

## Who Will Feed Farmers Better?

With reference to the articles under the header 'Agriculture' in the 7 April *BW* issue headlined 'Who Will Feed India?', I must congratulate you for bringing one of the country's most pressing concerns into focus. "A Punjab farmer with five acres earns less than a Class-IV government employee. Once the Sixth Pay Commission report is accepted, it will be difficult to bridge the gap," Dr M.S. Swaminathan was quoted as saying. I think the subject certainly calls for an immediate public debate. It would be interesting to know the views of eminent persons on the issue.

**Amiya Kanti Das,** via e-mail

*Letters may have been edited for brevity.*

Selected Business Superbrand INDIA 2008 Industry Validated

# Kisne Sikhayi India Ko
# Investment Ki Bhasha?

uti
UTI Mutual Fund
Let's plan to get rich

*Our nation-wide network of 79 UTI financial centres spans the length and breadth of the country. With more than 8 million investors*, one of the largest in the Mutual Fund industry, we have created wealth for a major portion of the investing population. Little wonder then, India not only invests with UTI, but speaks the investment language.*

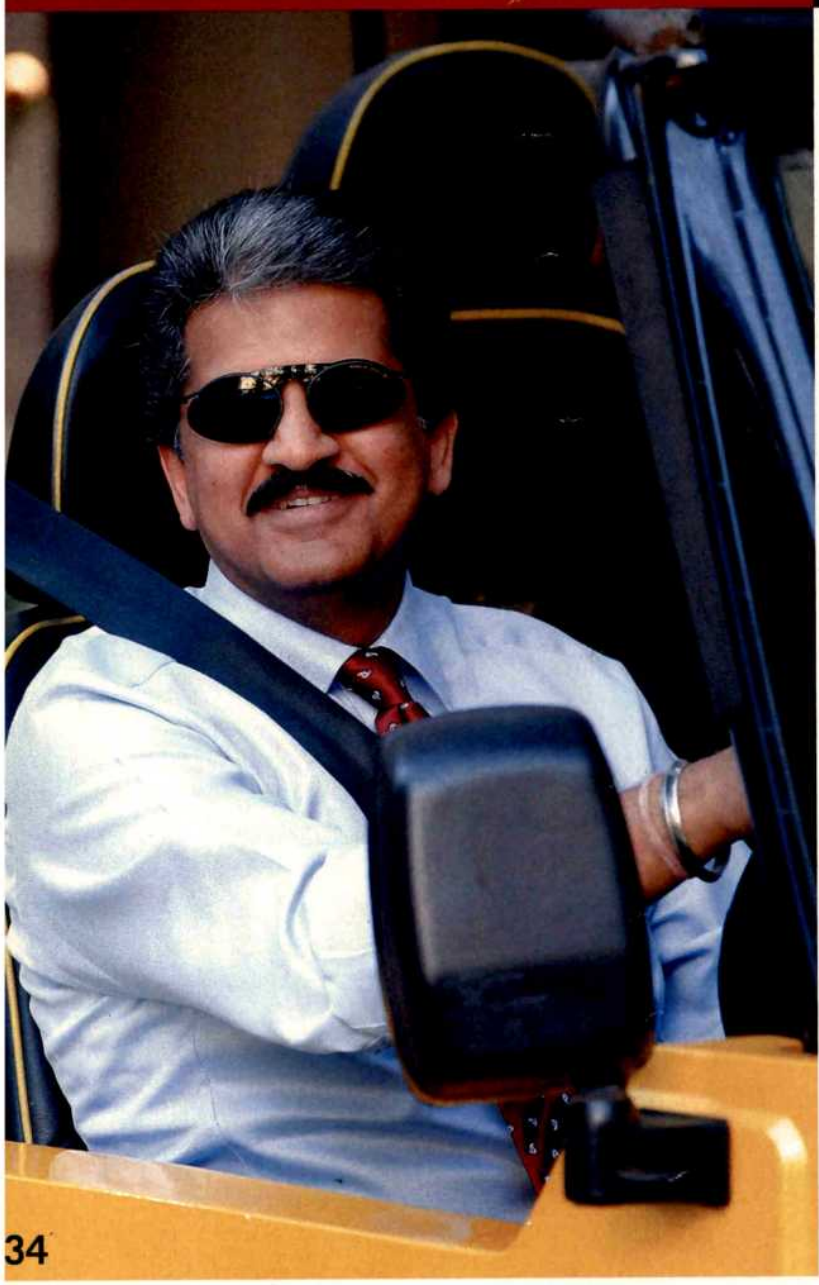
• UTI Mastershare • UTI Masterplus • UTI Equity Fund • UTI Balanced Fund

SMS : INDIA to 5676756 EMAIL: invest@uti.co.in www.utimf.com

Source : Draft Red Herring Prospectus (DRHP)

**TI Mastershare Unit Scheme :** An open-end growth oriented equity scheme. **Investment Objective :** To aims at securing for the unitholders capital appreciation by investing the funds of the scheme in equity shares, equity-related instruments and fully convertible onds/debentures of companies. Investment may also be made in issues of partly convertible debentures/bonds including those issued on rights basis subject to the condition that, as far as possible, the nonconvertible portion of the debentures/bonds so acquired or subscribed shall e disinfected within a period of twelve months from the date of acquisition. **UTI Master Plus Unit Scheme :** An open-end growth oriented equity scheme. **Investment objective :** The scheme is capital appreciation through investments in equity and equity related instruments. **TI Equity Fund:** An open-end growth oriented equity scheme. **Investment objective :** This Scheme primarily aims at securing for the unitholders capital appreciation by investing the funds of the scheme in equity shares and convertible and nonconvertible bonds/debentures companies with good growth prospects and money market instruments. **UTI Balanced Fund:** An open-end balanced fund. **Investment Objective:** The scheme aims to invest in a portfolio of equity/equity related securities and fixed income securities (debt and money market curities) with a view to generating regular income together with capital appreciation. **LOAD STRUCTURE FOR REGULAR AND SIP APPLICATIONS:** Entry Load: 2.25% for < Rs. 2 crores; NIL for >= Rs. 2 crores., Exit Load: for <= 180 days-1% for investment < Rs. 2 crores, 50% for investment >= Rs. 2 crores, for >= 180 days - NIL. **Direct applications :** No entry load will be charged for direct applications received by the Asset Management Company(AMC) i.e. (applications received through internet, submitted to AMC or Collection Center / Investor ervice Centre that are not routed through any distributor / agent / broker including applications for additional purchases received directly from an investor under the same folio and switch-in to a scheme from other schemes, if such a transaction is done directly by the investor). **EGISTERED OFFICE:** UTI Tower, 'Gn Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051. Tel: 66786666. **STATUTORY DETAILS:** UTI Mutual Fund has been set up as a Trust under the Indian Trusts Act, 1882. **SPONSORS:** State Bank of India, Punjab National Bank, Bank of aroda and Life Insurance Corporation of India (liability of sponsors limited to Rs. 10,000/-). **INVESTMENT MANAGER:** UTI Asset Management Co. Ltd. (Incoporated under the Companies Act, 1956). **TRUSTEE:** UTI Trustee Co. (P) Ltd. (Incorporated under the Companies Act, 1956). **ISK FACTORS:** All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities markets. Past performance of the Sponsors / Mutual Fund / Scheme(s) / AMC is ot necessarily indicative of future results. Mutual Fund investments are subject to market risks. Please read the Offer Document carefully before investing. The aforesaid schemes are only the name of the schemes and does not in any manner indicate either the quality of the schemes, future prospects or returns. UTI Asset Management Company Limited is proposing, subject to market conditions and other considerations, a public issue of its equity shares and has filed a Draft Red Herring Prospectus with SEBI. The Draft Red Herring Prospectus is available on the ebsite of SEBI at www.sebi.gov.in and the respective websites of the Book Running Lead Managers at www.jmfinancial.in, www.citibank.co.in, www.enam.com, www.gs.com/country_pages/india, www.ibb.ubs.com/corporates/indianipo, www.icicisecurities.com, ww.sbicaps.com, and www.india.clsa.com. Potential investors should refer to the Draft Red Herring Prospectus for Risk Factors and other information. This advertisement is restricted and not for publication or distribution in or into the United States. This advertisement is not for offer sale in or into the United States of any equity shares or any other security of this company. The securities of this company have not been and will not be registered under the US Securities Act of 1933, as amended from time to time and may not be sold in the United States absent gistration under US securities laws or an exemption from such registration. There will be no public offering of

Businessworld 21.04.08




COVER STORY

## 34 Road Warrior

Mahindra has all the drive to storm the global market with his rugged off-roaders.

**42 Interview: Anand Mahindra**
"I went into business without having to prove anything to anybody."

## ON POINT

**10 Realty Check**
Now that funds are holding back, real-estate prices may see a correction.

**11 Catching Up**
India is not competing with China for influence in Africa. Because it cannot.

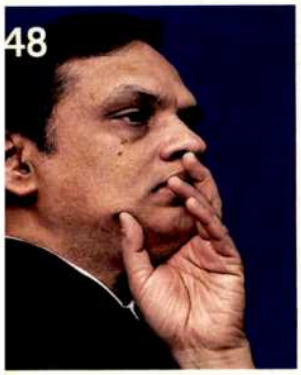
**14 Takeover Tangles**
Is Ranbaxy behind Solrex Pharma buying shares of Orchid Chemicals?

**16 FIANCHETTO**
Weekly strategic corporate moves.

**18 QUICK TAKE**
Should India create a sovereign fund?

## IN THE NEWS

**22 No Honking**
An NGO files a petition in the Mumbai High Court for a quieter city.



### 24 Direct Market Access
Institutional investors can now have trading terminals installed in their offices.

### 26 Virgin Ideas
Virgin Mobile India's launch advertising campaign has stumped competitors.

### 28 Big Deals
India may witness fights between defence equipment majors Boeing and EADS.

### 30 Domicile Issues
Taxing times ahead for people who live in Britain but claim domicile abroad.

## IN DEPTH

### 44 Anatomy Of Inflation
Inflation will go up, but only for a few more weeks, till early June.

### 48 Back Home
Videocon seems to be now focusing on growing at home.

### 52 Bear Stearns In India
Badly regulated cooperative banks could spawn a crisis

### 54 Magical Designs
Young designers create the magic that has taken Tanishq where it is today.

## TECH TALK

### 58 Memory Technology
A replacement for flash memory will hit the market by the end of the year.

### 62 Smooth Solution
A shot in the arm for the most expensive silk, which has been bugged by diseases.

## IN VOGUE

### 65 Speed Surgery
A little tweaking of your car's engine can turn it into a speed demon.

### 70 Save Energy
Automation of lighting, heating, ventilation and AC can cut energy consumption.

### 72 Bookmark
A rogue sociologist, about the art of persuasion, and make-believe friends.

## COLUMNS

### 20 Ashok V. Desai
How NREG is not going to work.

### 32 Nayan Chanda
Will the food crisis prove Malthus right?

### 50 Kenneth Rogoff
The long-term dollar trend is downward.

### 56 Rajeev Chandrasekhar
We need to invest more in our regulators.

## BW & YOU

### 06 FEEDBACK

### 74 BW OPINION



**Cover Design by Anthony Lawrence**
**Photograph by Swayam**



**BWonline**
**businessworld.in**
WEB EXCLUSIVES
TechnoCool
The Centro looks radically different but it is a Palm at heart, says Tushar Kanwar.
All In A Day's Work
Sanjitha Rao Chaini on how the day traders deal with rising volatility in the market.



Total No. of pages including cover: 76

REAL ESTATE

# Correction Course

**A liquidity crisis is looming large, but that's good for consumers**

SUBHABRATA DAS

IN A CLEAR SIGN THAT cash flows are drying up, CitiVenture and AIG have called off their plans to pick up 16 per cent stake in Mumbai-based builder Akruti City for Rs 1,500 crore.

More such cancellations are in the pipeline. Already, AIG has stopped short of investing in Mumbai-based RMZ Developers, and the $35-billion New York-based hedge fund D.E. Shaw's Rs 350-crore deal with Delhi-based Unitech is also on hold, according to industry sources.

Although realty deals have been down to 40 per cent of the 2006 peak, property prices stayed up as private equity players and IPOs kept the builders' liquid. They also made a killing by controlling supply and supporting prices through cartelisation. Now that the funds are holding back, prices will hopefully see a correction.

A liquidity crisis is looming. DLF, Unitech and Indiabulls Real Estate have deferred their Real Estate Investment Trusts. Interest rates on short term borrowings have gone up to 19-20 per cent, and funds have become wary of lending, too.

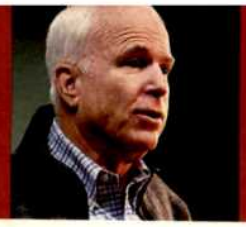
The crisis could be good for consumers as it may lead to distress sales. Industry sources say developers, including Akruti City, borrowed heavily from the market, as well as bought land at astronomical rates expecting higher valuations from foreign funds.

"We are just beginning to see a fall in prices," says Future Group Chairman Kishore Biyani. "Even the luxury market could see a 40 per cent correction."

Private equity has woken up to overvaluation. Now, realty companies need to wake up, too.

*Gurbir Singh*

**56** billion dollars. The social costs of tobacco, alcohol and illicit drug abuse among Australians.



**QUOTE OF THE WEEK** **"If we withdraw from Iraq hastily and irresponsibly... the trouble will come immediately."**

— THE PRESUMPTIVE REPUBLICAN PRESIDENTIAL NOMINEE JOHN MCCAIN

INDIA-AFRICA SUMMIT

# Me Too...

**India needs a lot of catching up to do to stand up to China**

AP

**EQUATION:** Tanzanian President and African Union President Jakaya Mrisho Kikwete with Prime Minister Manmohan Singh

WHILE INAUGURATING the first India-Africa Summit on 8 April in New Delhi — in which leaders of 14 African countries participated — Prime Minister Manmohan Singh said India was not competing with China for influence in Africa.

Singh is right. India is not competing with China because it can not. Let's take the Summit itself. It comes two years after China held its own Africa summit.

The tremendous, if cheesy, show Beijing put on, complete with skyscraper-length cut-outs of giraffes, makes the drab conference lulling Delhites to sleep seem antiquated.

The numbers speak for themselves. China has invested about $70 billion in Africa, more than 10 times what India has done.

Beijing is building roads, hospitals, universities, ports and housing complexes across the continent. India is offering African countries advise on IT.

There is one thing Indians should be happy about: while we send peacekeepers to countries such as Sierra Leone and Somalia, China sends countries such as Sudan the arms it uses to commit genocide in Darfur.

*BW Bureau*

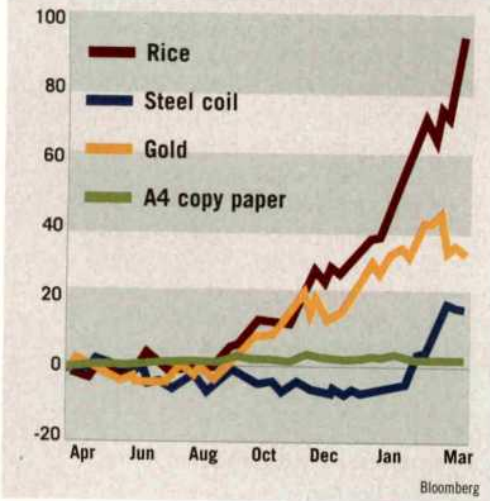
## Global NEWS

AP

**Hopes dashed**
The fate of the ailing French-Colombian politician, who has been held hostage by the Revolutionary Armed Forces of Colombia (FARC) since 2002, Ingrid Betancourt, remains uncertain with the captors rejecting the medical team sent by the French government.

## RICE TRUMPS ALL

Rice has performed better than gold, steel coil and A4 copy paper over the past year.




Bloomberg

CHINESE FUNDS

# RULES OF ORIGIN

BARELY A WEEK AFTER US PRESIDENTial hopeful Hillary Clinton said that China was buying too many US Treasury securities — about $400 billion or 10 per cent of the total treasury bonds held by non-US entities — China has upped its ante again. The $200-billion China Investment Corporation (CIC) has unleashed its first overseas private equity (PE) fund in partnership with JC Flowers, a PE firm run by former Goldman Sachs banker J. Christopher Flowers. The $4-billion fund will focus on US financial assets.

"Though CIC doesn't have a managerial role in the fund, it will have a say in where the money be invested," says Joe Thomas Karackattu, fellow at Observer Research Foundation in New Delhi. In a way, China's US fund could be a harbinger for its evolving strategy to gain surrogate access to markets where it has difficulty in entering.

Now, if China were to use the PE route for target sectors in India, it could well piggyback its way in to India Inc.

*T.K. Vineeth*

## FLAMES DOWN

Police officers apprehend a demonstrator as he tries to interrupt the Olympic torch parade in Paris on 7 April 2008. Security officials extinguished the Olympic torch four times as chaotic protests against China's policies on human rights and Tibet turned a relay through Paris into a jarring series of stops and starts.

AP

SAMSUNG

# Salvaging Reputation

BLOOMBERG

**LONG ARM OF THE LAW:** Samsung Chairman lee Kun-hee

SAMSUNG'S SWELLING global reputation has deflated with the news that the firm was operating a $200 million slush fund to bribe prosecutors, judges and civil servants. While Chairman Lee Kun-hee has accepted responsibility, he has said he is "not 100 per cent" responsible for the slush fund, implying there are more skeletons in Samsung's closet.

The firm now faces Seoul's biggest investigation since 1995 of a Chaebol, as South Korea's large business firms are called.

However, Samsung's Indian arm is watchful. "Given our strong relations with our channel partners in India and the transparent policies we follow, this trial won't affect our business here," says Ruchika Batra, general manager (communications), at Samsung India.

*Meghana Biwalkar*

## BUSINESS BYTES

### Raid at Hiranandani

MUMBAI-BASED REAL ESTATE COMPANY Hiranandani Group is under a cloud. On 8 April, the Central Bureau of Investigation carried out raids in the premises of the company for allegedly not depositing funds worth Rs 168 crore into the Employees Provident Fund. The company allegedly under-quoted the actual number of employees working with the group. The group, however, downplayed the event, saying it's a routine investigation carried out by the provident fund commissioner.

## Reality Check

**The world's first manned, hydrogen-powered plane was successfully tested at an airfield south of Madrid on 4 April, according to the plane's maker Boeing.**

REAL ESTATE

# HOME TRUTHS

AS CONSUMERS CONTINUE to search for affordable housing, Maharashtra became the first state to move legislation to create a formal housing authority that will have sweeping powers to decide on prices of residential real estate.

SUBHABRATA DAS

The Maharashtra Housing Regulatory Commission Act, when passed, will also allow the housing regulator to prescribe the quota of low and middle housing stock a builder has to create in his project. This is a reaction to the mounting criticism that the private building industry is jacking up prices and not constructing any houses for the poor, forcing the latter into slums.

In such situations, only a State intervention can provide a solution. Shanghai and Sao Paulo have shown this is possible. But it remains to be seen if builders in India will be willing to trim their profits.

*Gurbir Singh*

# TOP 10 LISTINGS

TOP 10 ASIAN HEDGE FUNDS

| | | |
|---|---|---|
| 1 | Sparx Group Co. | 6.7 |
| 2 | Value Partners Group | 4.8 |
| 3 | Arisaig Partners | 2.1 |
| 4 | Penta Inv. Advisers | 1.9 |
| 5 | Ward Ferry Mgmt | 1.8 |
| 6 | Lapp Capital | 1.4 |
| 7 | Tree Line Inv. Mgmt | 1.3 |
| 8 | Artradis Fund Mgmt | 1.2 |
| 9 | Tantallon Capital | 1.1 |
| 10 | Asuka Asset Mgmt | 1.0 |

Figures in $ billion are estimated assets under management

Source: Reuters

**Sebi's new chairman Bhave is serious about investors' money**

STOCKMARKETS

# Closing Gaps

SEBI, UNDER ITS NEW chairman C.B. Bhave, is moving ahead with the core essence of the report of its group on review of the initial public offering (IPO) process. Bhave has indicated that within the next few months, Sebi will reduce the lag time between the closing of an issue, and listing and trading of securities from 17-24 days to 7-8 days.

Sebi is also taking seriously its primary market advisory committee's recent proposal to treat application money of retail investors' as deposit.

Under this, banks would block the full application amount in the investors' accounts till the shares are allotted, but the money would continue to earn interest in the intervening period.

Speaking at a seminar on IPOs on 8 April in Mumbai, Bhave said that there is no reason why an investor's money should leave his bank account when he is not assured about allotment of shares.

*Abhishek Chowdhury*

SME Banking |
oan/ Overdraft Against Property
Lending against property upto INR 5 crores
Loan upto 75% of property value
Call 39404444/ 66014444
Conditions apply.
Standard Chartered

PHARMACEUTICALS

# Entry Strategy

**The threat of a takeover might force Orchid to think of a partnership**

BLOOMBERG

MEDIA REPORTS SPECULATED during the week that drug maker Ranbaxy Labs and its promoter family, the Singhs, were behind an unheard-of entity called Solrex Pharmaceuticals, which is accumulating shares of Chennai's Orchid Chemicals & Pharmaceuticals.

But Ranbaxy declined comment on the issue other than saying said that it did not believe in hostile takeovers. As of 9 April, Solrex had accumulated 12.8 per cent of Orchid's shares following a nearly 40 per cent plunge in Orchid's stock price last month.

**NOT HOSTILE:** Ranbaxy says it does not believe in hostile takeovers

The stock plunged further when brokerages Religare and Indiabulls sold a large numbers of shares, pledged by Orchid promoter K. Raghavendra Rao as collateral to fund his stake hike in the company, when he failed to meet margin calls.

Ranbaxy's Singhs could be buying cheap into Orchid as part of their stated intent to pursue inorganic growth for the company. The Rs 985-crore Orchid is one of a clutch of companies that owns US Food & Drug Administration-approved facilities to make 'cephalosporins', a class of antibiotics used in a broad spectrum of infections that the Rs 6,692-crore Ranbaxy may want to launch through its own marketing vehicle in the US.

There is a possibility that it is based on Rao's apparent unwillingness to sell.

The threat of a takeover could be used as a lever to bring Orchid — which has other generics companies, such as Canada's Apotex and Iceland's Actavis as marketing partners — to the table to discuss some kind of partnership. Or this could merely be an opportunistic investment, which will eventually lead to a profitable exit.

*Gauri Kamath*

ADVERTISING

# Spotting The Difference

**Advertising clients think there is too much focus on television and print**

THE JUST CONCLUDED Goa Adfest has thrown up an interesting fact: there's too much focus on television while the emerging online space is totally ignored. "To make some great ideas successful, it is important that the industry gears up for the digital space," said Craig Davis, CEO of JWT Worldwide. "This is where one will find the future audience." Some participants said there's a conscious need to focus on online media. "If you want to speak to my 21-year-old son, don't even think TV," said Sheila Byfield, global director of insights at MindShare Worldwide.

"Digital should be the way to start but we don't do digital as much as we should," Says Saugata Gupta, CEO of consumer products at Marico Industries.

Ideally, a good idea should be independent of media.

*Meghana Biwalkar*

World

## WIDE

**Wired countries** Denmark is the most networked economy in the world, followed by Sweden and Switzerland, according to The Global Information Technology Report 2007-2008, released by the World Economic Forum. Among the 10 most networked countries are Sweden, Switzerland, US, Singapore, Finland, The Netherlands, Iceland, South Korea and Norway.

**50** crore. Nokia's projection of the number of mobile phone users in India by 2010.

# Where next?

100 destinations and counting.

From the far corners of Europe to the Americas, Africa, Australasia and beyond, our network spans the world, with many more destinations on the horizon.

Emirates SkyCargo

For more details please contact Emirates SkyCargo in Ahmedabad: 26406324, Bangalore: 25220327, Chennai: 22560339, Delhi: 25652479, Hyderabad: 27763509, Kochi: 2611213, Kolkata: 40059996, Mumbai: 26828380, Thiruvananthapuram: 2508949 or visit **skycargo.com**

# Fianchetto

The week's strategic moves and the movers who made them

PHOTOGRAPHS: BLOOMBERG

## Good for the eyes

Switzerland's Novartis is buttressing its presence in the eye care segment. The Basel-based pharma company has announced that it will pick up a majority stake in Avon, one of the largest eyecare products companies in the world, for $39 billion. Novartis will acquire Avon in a two-step deal, beginning with a 25 per cent stake for $11 billion. Once the deal is complete, Novartis will have a say in the fast-growing eyecare market, which has annual sales of around $25 billion.

## Global aspirations

Consumer electronics major Videocon group is in talks with leading international players, including Samsung and Sony, for original equipment supplies of high-end LCDs. The Mumbai-based company, which has set up a $200-million plant in Italy for manufacturing LCD panels, is currently test marketing its products in the European markets. If the ongoing talks succeed, this will catapult Videocon's ongoing efforts at going global.

## Critical mass

Indo Nissin Foods (INF) — the Indian unit of Japan's Nissin Food Products and maker of the ready-to-eat noodle brands Top Ramen and Cup Noodles — has announced its decision to start its own distribution network. Since 1998, the Mumbai-based company had been relying on the sales and distribution network of Marico, a diversified edible oils and personal care company, for distributing its products.

## Gammon ups stake in Vizag

Mumbai-based Gammon Infrastructure Projects, a unit of construction firm Gammon India, has upped its stake in Vizag Seaports (VSPL) from 42.22 per cent to 73.76 per cent with an investment of Rs 33 crore. Recently, Gammon had exercised the call option to purchase 22.80 million equity shares of Rs 10 each of VSPL from International Port Services, the investment arm of Portia Management Services of the UK.

## Honda hastens growth in China

Dongfeng Honda Automobile Co., a joint venture between China's Dongfeng Motor Corporation and Japan's Honda Motor Company, plans to double its annual production capacity from

DEALTRACKER

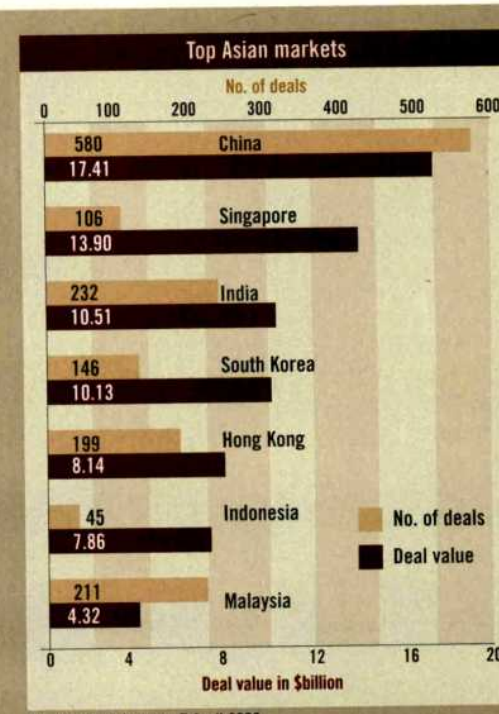
## BW-THOMSON FINANCIAL M&A TRACKER

**March-April** The Asian M&A market saw 1,743 deals worth $82.71 billion as on 7 April 2008. China emerged as the largest market with 580 deals worth $17.41 billion. Singapore was the second largest.

Top Indian deals

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Jaguar Cars | UK | Tata Motors | India | 2,300.00 |
| Prozone Enterprises | India | Triangle India RE Trust | India | 114.606 |
| Forum, Raleigh, North Carolina | US | Highwoods-DLF Forum | US | 113.00 |
| Hichens Harrison & Co. | UK | Hichens Harrison & Co. | UK | 99.43 |
| ICI India Ltd-Adhesives Bus | India | Henkel KgaA | Germany | 65.38 |
| Great Offshore | India | Great Offshore | India | 61.33 |
| IMTAC | Oman | Sobha Renaissance Info Tech | India | 41.00 |
| ASK Securities | India | JM Financial | India | 34.89 |
| Kinky | South Africa | Godrej Consumer Products | India | 33.15 |
| IT Infrastructure Park | India | Alpha Tiger Property Trust | Guernsey | 29.30 |

Figures for 23 March-5 April 2008




Figures for 1 January-7 April 2008

120,000 units to 240,000 units by 2013. Dongfeng Honda produces 620 units a day, above the designed capacity of 500 units. During the past three years, the joint venture has posted a growth rate of over 10 per cent each year.

### Divide and grow

Chennai-based auto components maker Sundaram-Clayton (SCL) has announced it will spin off its brakes division into a separate company, WABCO-TVS. WABCO is the US collaborator of SCL. As per the demerger plan, shareholders of SCL will get one share of Rs 5 of WABCO-TVS and one share of Rs 5 in SCL, for each share of Rs 10 that they currently hold in SCL. The non-brakes business and investments will continue to remain with SCL. This will help both the TVS group and WABCO to focus on their respective core competencies.

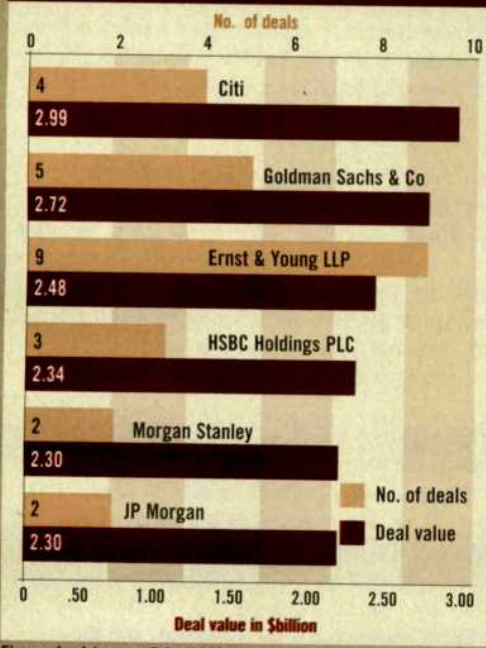
### Flag's gain

Flag Telecom Group, owned by Reliance Communications, has got a verdict in its favour from the district court of The Hague, Netherlands. Flag Telecom wanted access to the Mumbai landing station of Flag Europe Asia cable, a submarine fiber optic cable that runs from England to Japan and passes through 15 countries, for increasing its capacity. The court upheld an order by the arbitration tribunal of the International Chamber of Commerce in 2006, directing Videsh Sanchar Nigam (VSNL, now Tata Communications) to permit Flag to upgrade its bandwidth capacity at the cable landing station in Mumbai.

### Cola wars

When everything else fails to convince people to buy sugared water, maybe spoofs can help. To promote summer sales, soft drinks major Coca Cola has launched such ads to mimic rival Pepsi's Youngistan ad campaign. Coke's new ad for Sprite ridicules Pepsi's ongoing Youngistan campaign starring Bollywood stars, such as Ranbir Kapoor, Deepika Padukone and Shahrukh Khan.

## India financial advisory rankings




Figures for 1 January-7 April 2008

## Top Asian deals

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Jaguar Cars | UK | Tata Motors | India | 2,300.00 |
| Sorak Finl Holdings | Singapore | Maybank | Malaysia | 1,535.55 |
| C&M Communications Co. | South Korea | Kookmin Cable Invest Inc. | South Korea | 1,462.87 |
| Bank Internasional Indonesia | Indonesia | Maybank | Malaysia | 1,210.00 |
| 1 George Street Building | Singapore | CapitaCommercial Trust | Singapore | 844.69 |
| Sri Lanka Telecom | Sri Lanka | Global Telecom Holdings | Neth Antilles | 575.34 |
| Wujianfang Coal Mine East | China | Datang Intl Power Generation Co. | China | 488.81 |
| Jiangsu New Yangzi | China | Yangzijiang Shipbuilding Hldgs | China | 395.12 |
| Tongfang Unite Hldg Grp Co. | China | China Kejian Co. | China | 352.73 |
| Travellers Intl Hotel Group | Philippines | Star Cruises | Hong Kong | 335.00 |

Figures for 23 March-5 April 2008

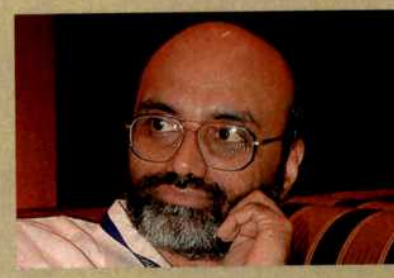
Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently-held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date. League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Log on to www.businessworld.in for the complete list

# Quick Take

# Should India follow in China's footsteps and create its own sovereign wealth fund?

**We asked...** Kunj Bansal, Senior Vice-President, Portfolio Management Sevices, Kotak Securities; Mohan Guruswamy, former advisor to the Finance Minister and President, Centre for Policy Alternatives; Russell Parera, Chief Executive Officer, KPMG India; Arun Sehgal, International Accountants and Business Advisors, Grant Thornton; Jayanth R. Varma, Professor, Indian Institute of Management, Ahmedabad; Sonal Varma, India Economist, Lehman Brothers; Krishnamurthy Vijayan, Whole-time Director and Chief Executive Officer, JP Morgan Asset Management



"An SWF will not only spur the economy, but will also build a platform for future generations."

**Russell Parera, Chief Executive Officer, KPMG India**

"SWFs make sense for countries with surpluses or a lot of wealth as with oil-rich countries."

**Jayanth R. Varma, Professor, IIM-Ahmedabad**

"By most measures, we have adequate forex reserves to manage liquidity risks and could create an SWF."

**Sonal Varma, India Economist, Lehman Brothers**

**Yes 57%**

**YES BECAUSE:** China created its sovereign wealth fund worth $200 billion late last year. So, then, should India too, whicho has always strived to do whatever China does, also create its own sovereign wealth fund. Rather, has India reached a stage — both politically as well as economically — where it can afford to create its own sovereign wealth fund? Sovereign wealth funds, by definition, are investment funds created out of the country's accumulated wealth to be invested in a portfolio of securities. Some of our respondents did believe that given our current foreign exchange resources, it makes sense for India to start its own funds in order to multiply its wealth. But the government should also ensure that the best fund managers are employed to manage he country's wealth.

**No 28%**

**NO BECAUSE:** Quite a few respondents were vehemently opposed to the idea of India creating its own sovereign wealth fund. There were several reasons for this. One, countries that create sovereign wealth funds are those that are wealth-surplus. Though India has huge foreign exchange reserves at this juncture, they are pittance to what China accumulates every year. Other examples of countries with sovereign funds are oil-rich countries such as Norway and Abu Dhabi. Thus, at this point a sovereign fund should not be priority for India. Two, given the way our government remunerates its employees, it would never be able to attract the best talent to manage its fund. Finally, one view was that India's financial system is strong and the State does not need to rely on a sovereign fund for future stability.

**Maybe 15%**

**MAYBE BECAUSE:** On the one hand, there is the belief that India has arrived on the global stage. On the other, there is apprehension about its actual standing in the global economic order and pessimism regarding its hyper-growth. Such ambiguity leads some people, as also some of our respondents, to believe that one can't say for sure if India can have a successful sovereign wealth fund or not. In absolute terms, India has accumulated huge foreign exchange reserves and can technically build its very own sovereign wealth fund, but how well the fund will be managed and whether it will yield the desired results cannot be determined at this point. Only once such a fund is created, and the government charts out a plan, can it be ascertained whether the fund would be successful or not.

# Our nearest competitor is not our competitor.

According to the latest ABC report, Malayala Manorama has grown by a whopping 49,372 copies. To become, yet again, India's largest regional language daily, with a total circulation of 15,89,823 copies. As for the nearest competitor, interestingly, it's not another Malayalam daily.

TBWA\INDIA

Average net paid sales of
top 2 regional language dailies in India

| | Publication | Total Circulation |
|---|---|---|
| No. 1 | Malayala Manorama | 15,89,823 |
| No. 2 | Eenadu | 11,76,028 |

As on 20th March 2008. www.auditbureau.org

**Malayala Manorama**

Nobody delivers Kerala better

Source: ABC Jul-Dec 2007. Total average net paid sales of Malayala Manorama Daily in India - 15,89,823 copies. Average net paid sales of Malayala Manorama published from Kozhikode Edn - 1,77,881 Printed at Bangalore - 23,000, Chennai - 10,364, Kozhikode - 1,22,623, Mumbai - 21,894, Kannur Edn - 1,06,672, Kochi Edn - 2,46,429, Kollam Edn - 1,31,265, Kottayam Edn - 2,91,590, Pathanamthitta Edn - 1,06,592, Malappuram Edn - 98,604, New Delhi Edn - 13,649, Palakkad Edn - 98,558, Thrissur Edn - 1,57,025, Trivandrum Edn - 1,61,558.

# Productivity Is The Key

**by ashok v. desai**

I RECENTLY BUMPED INTO AN UNLIKELY CHARacter. He is CEO of a thriving company in NOIDA. That is nothing unusual; NOIDA teems with such sparkling characters. But he is also a big landlord in Bihar. Once in a while he makes a trip to his *jagir*, a couple of hundred miles to the north of Patna. Bihar's most thriving business is kidnapping, and my friend would be a prize catch. So he takes along a power-packed posse of armed police with him.

**Unless their productivity increases, more wages to agricultural workers from NREG will not raise their incomes**

I asked him what he thought of the National Rural Employment Guarantee. He said that now that workers could get wages simply by sharing the NREG wage with district officers, without having to do too much work, they saw no reason actually to work. So workers on his farm had gone away, and he could no longer grow any crops. I told him that the solution was obvious: he must put his land to forest. He said that was not a good idea in his part of India – that it would provide good shelter to robbers and murderers. So he had done the next best thing: he had turned his land into an orchard.

That made me wonder about a phenomenon I had noticed in other parts of India as well. In South Gujarat, farmers have turned to growing fruit; there are miles and miles of chiku and guava orchards. I have just returned from central Tamil Nadu, where there are vast coconut plantations. Both regions are heavily industrialised. Labour has moved into towns, and rural areas face labour shortage. So farmers have turned to tree crops to economise on labour.

That was not happening in the north and the east, largely because of labour surplus. But if my *zamindar* friend is right, it may happen there as well – not because labour has become more scarce, but because agriculture has encountered a competitor for labour, namely the district magistrate who is giving labourers a hundred days' employment a year.

But surely that employment is supposed to be given in the off-season? Employment generation programmes have always shown strong seasonality: most employment has been generated in the agricultural off-season. But it may be that the off-season is not all that fixed. In areas like North Bihar which are well endowed with water, crops can be grown all round the year; Gujarat and Central Tamil Nadu have plenty of irrigation.

And it may also be that rural workers are not all that keen on maximising their incomes. They get their Rs 6,000-10,000 for a hundred days' work; that would buy them some 600-800 kilos of foodgrains, or more than a half of their annual requirement. They would need to work that much less to meet their basic needs. It depends on whether the workers are maximisers or satisficers. If the former, they would increase the number of days worked when employment becomes available under NREG. If the latter, they would reduce supply of labour to agriculture. The latter case described the experience of my rich friend.

It is people like my friend who eat only a fraction of the foodgrains they produce and who provide food to our cities and non-agricultural people. So if they begin to produce less on account of labour shortage, food supply to us townsmen would go down.

It is worth asking whether something of that sort has happened already, even before the coming of NREG. The National Sample Survey shows considerable generation of employment from the early 1990s onwards; rural real wages were growing at more than 3 per cent a year. So it is possible that the cost of agricultural labour was going up; this may have been one reason why the growth of foodgrain output has been so sluggish.

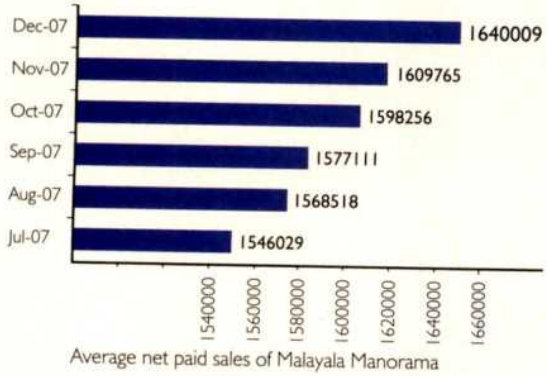
If this is what has been happening, NREG can only accentuate the phenomenon. It would reduce foodgrain supply even further, while at the same time adding to the purchasing power of poor workers who spend a high proportion of their earnings on foodgrains. It can only accentuate the foodgrain shortage that has haunted India in recent years.

Shortages in free markets lead to a price rise; the recent upturn in food price inflation fits neatly. That increase would hurt that class most which spends most on foodgrains, namely agricultural labourers. Thus what the government has given them in the form of additional employment and wages is being dissipated in the form of higher inflation. The government's double-layered rationing scheme may shelter some of these poor. But for the rest, there would be no change in their economic condition. Those who do not know or respect economics make self-defeating economic policies.

The author is Consultant Editor of *Businessworld*
*ashok.desai@gmail.com*

# A spectacular growth
## of 93,980 copies in 6 months.

During the last ABC period, Malayala Manorama has grown every month. To add a whopping 93,980 copies from July to December. Now with an average net paid sales of 15,89,823 copies, Malayala Manorama is, yet again, India's No. 1 regional language daily.




Average net paid sales of Malayala Manorama

**Malayala Manorama**

Nobody delivers Kerala better

TBWA\INDIA

Source: ABC Jul-Dec 2007. Total average net paid sales of Malayala Manorama Daily in India - 15,89,823 copies. Average net paid sales of Malayala Manorama published from Kozhikode Edn - 1,77,881 Printed at Bangalore - 23,000, Chennai - 10,364, Kozhikode - 1,22,623, Mumbai - 21,894, Kannur Edn - 1,06,672, Kochi Edn - 2,46,429, Kollam Edn - 1,31,265, Kottayam Edn - 2,91,590, Pathanamthitta Edn - 1,06,592, Malappuram Edn - 98,604, New Delhi Edn - 13,649, Palakkad Edn - 98,558, Thrissur Edn - 1,57,025, Trivandrum Edn - 1,61,558.

# Horn Not OK Please

**by Gauri Kamath**

**Mumbai's bid against noise pollution is worthy of emulation**

EVERY MAJOR CITY'S INHABITANTS ARE WILLING TO swear that their city is the noisiest. In this unhealthy contest, Mumbai has officially beaten several others, to come in third. Or so says a public interest litigation filed in the Mumbai High Court in January 2008 by a Mumbai activist group. The Awaaz Foundation wants the city to quickly shed this dubious distinction. It wants the government to implement noise pollution control laws rigorously and punish offenders. Key among its demands is the commissioning of 'noise mapping' of noisy spots in the city, making it easier for administrators to take measures to control the din.

As the Court hears the case, at least one government agency seems to be making a bid to grab the bull by its horns. On 7 April, the Mumbai Traffic Police organised its first 'No Honking Day'. "Honking without cause has increased by leaps and bounds," says Harish Baijal, the city's deputy commissioner of police for traffic. "Often, people don't even realise that they are violating a law." Honking is forbidden within a 100-metre radius of a school, a hospital or a court of law. 'Reverse horns', the tuneless jingles that play when a vehicle is in reverse gear, are also prohibited. With over 1.5 million vehicles in the city, the problem is getting out of hand.

Noise can have dangerous consequences. According to the World Health Organization (WHO), "prolonged or excessive exposure to noise, whether in the community or at work, can cause permanent medical conditions such as hypertension and ischaemic heart disease". Noise above 80 decibels (exceeded routinely in the city) may increase aggressive behaviour. The WHO also suggests a link between noise in the community and mental health problems. No Honking Day was timed to coincide with World Health Day. Baijal has called for a crackdown on 'reverse horns' and 'multi-toned horns' (those that give a succession of different notes). "One has to be appreciative of the move," says Sumaira Abdulali, an environmentalist and managing trustee of Awaaz. "At least they are saying 'let's do something'." But she concedes that this is a mere drop in the ocean and that the initiative "has to be sustained and escalated".

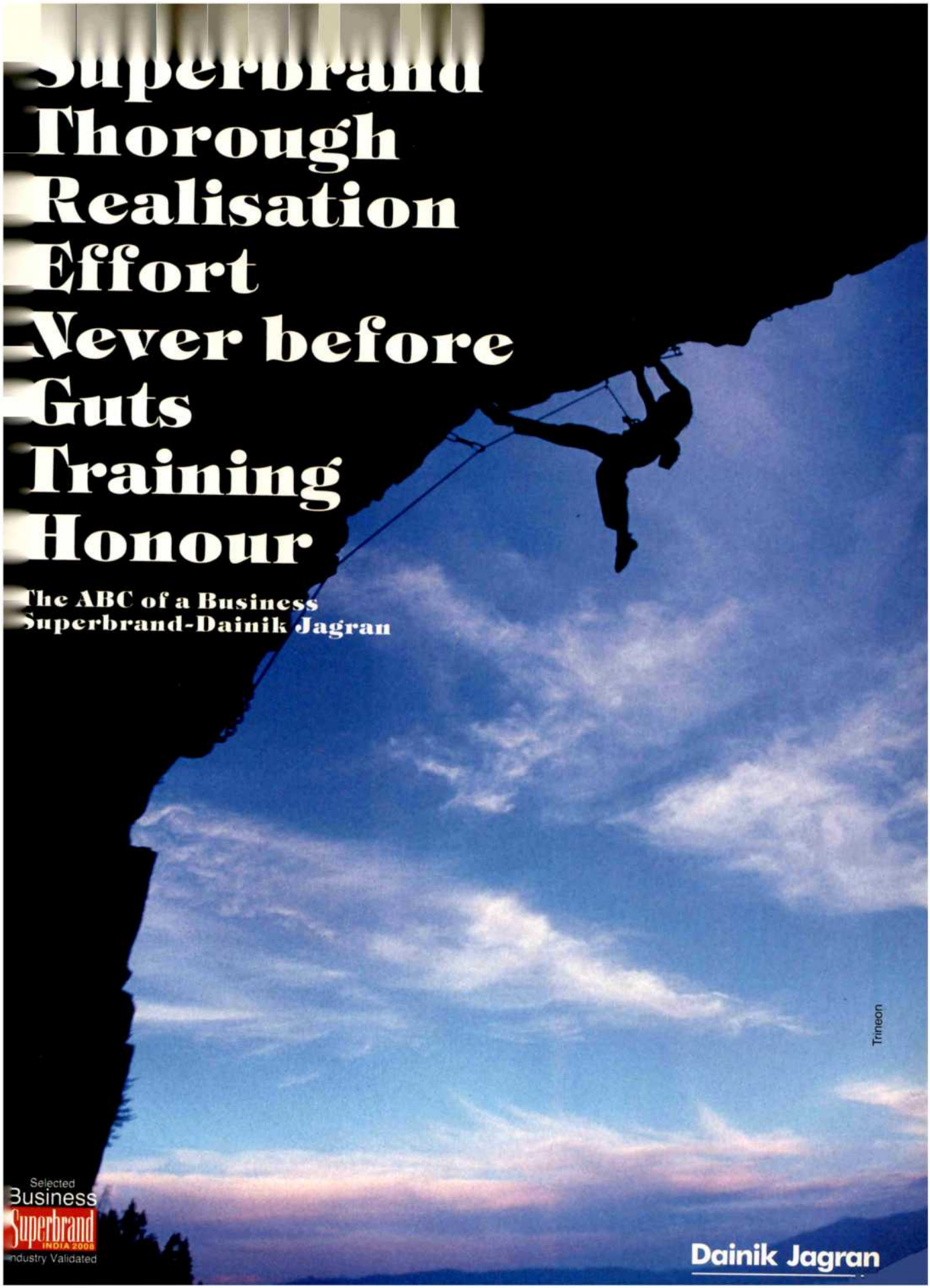
The impact of such symbolic gestures is debatable. For starters, unless the authorities outshout the horns (metaphorically), few will know such a day is in progress. (By 7 April, only four people had voted in favour of such a day on the DCP's blog.) But it is equally true that governments can make a difference by turning these symbols into something more meaningful. In 1987, Brazil kicked off a Road Safety campaign that lasted 10 years, and involved multiple agencies and corporates. It was taken up again in 2000 and substantially reduced pedestrian accidents and deaths. In India, this kind of collective effort — to control not just honking, but myriad sources of noise — is yet to be seen.

It is difficult to tot up the social and economic cost of noise pollution, one reason why communities and governments might be slow to react. The social cost of just road traffic noise is "in the range of 0.1-1.4 per cent of a country's Gross National Product, according to the method applied and the country", estimates a 2002 report by Jacques Lambert of France's National Institute for Transport and Safety Research. This number is harder to pin down in India. "Noise pollution is a relatively new concept," says an official at the Indian Institute of Technology Delhi's Transportation Research and Injury Prevention Programme. "This might explain why there isn't enough research." New Delhi's Central Pollution Control Board, too, could not provide estimates of the damage. Perhaps it is a good place to start.

*gauri.kamath@abp.in*

SUBHABRATA DAS

**THE COST OF NOISE:** There is not enough research on the social and economic cost of noise pollution in India


Superbrand
Thorough
Realisation
Effort
Never before
Guts
Training
Honour
The ABC of a Business
Superbrand-Dainik Jagran
Trineon
Selected
Business
Superbrand
INDIA 2008
Industry Validated
Dainik Jagran

# Direct Benefits

**by Rajesh Gajra**

**Direct market access offered to exchanges has opened new doors**

DOMESTIC MUTUAL FUNDS AND INSURANCE companies and foreign institutional investors can stop worrying about brokers front running their orders. Front running, which is rampant in the Indian stockmarket, happens when a trader profits from information of large institutional orders. He profits from the price spurt or fall that takes place due to an institution buying or selling in a stock.

India's stockmarket regulator Securities and Exchange Board of India (Sebi) recently gave the green signal to stock exchanges to allow direct market access (DMA) to their institutional clients. With this, an institutional investor can have the trading terminal (or terminals) of its chosen broker (or brokers) installed directly in their offices and can enter their orders directly in it. Currently, all orders in a stock exchange's trading system have to be routed through the trading terminals of brokers and Sebi-registered sub-brokers registered with them.

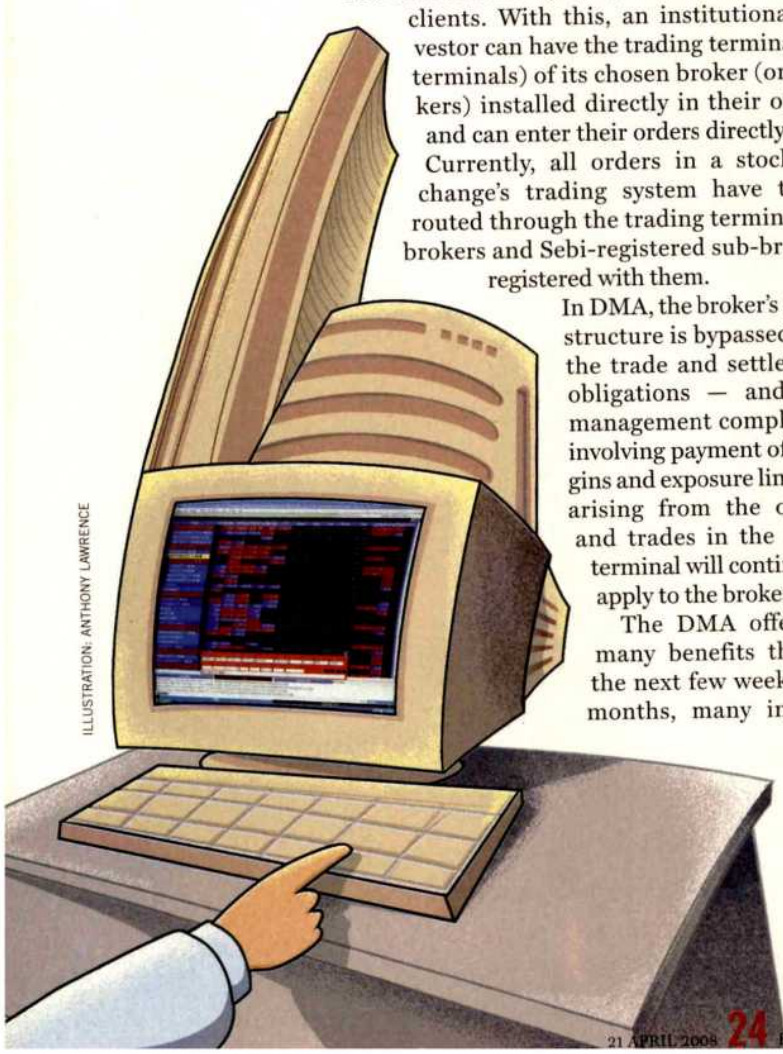


ILLUSTRATION: ANTHONY LAWRENCE

In DMA, the broker's infrastructure is bypassed. But the trade and settlement obligations — and risk management compliance involving payment of margins and exposure limits — arising from the orders and trades in the DMA terminal will continue to apply to the broker.

The DMA offers so many benefits that in the next few weeks and months, many institutional investors are likely to use DMA terminals. "We can execute our trades through the DMA and nobody can front run," says Sanjiv Shah, executive director of Benchmark Asset Management. "Brokers can track our trades while it is happening, but their trading desk will not be privy to the trades before execution."

DMA will also open the doors for algorithmic trading or programmed trading. More than two-thirds of the trading turnover of the New York Stock Exchange and the Chicago Board Options Exchange in the US comes from algorithmic trading. The DMA workstation can take trading data feeds coming from the stock exchange and run it through back-end computers that contain historical prices. Human-built programs then trigger off trades in the DMA.

Last year's report of the high-powered expert committee on 'Making Mumbai an International Finance Centre (MIFC)' had elaborated on what algorithmic trading can do. It said, "At their simplest, algorithms can scan the spot market and the futures market simultaneously... (and respond) to mispricing within milliseconds." Says Benchmark's Shah, "Algorithmic trading is great for the options market because otherwise, there are so many strike prices per stock or index that it is impossible to manually monitor arbitrage or hedging opportunities on a real-time basis."

For instance, the options market offers a chance to make profit from volatility through straddle or strangle strategies. In a strangle, you buy a call and a put of different strike prices to make profit from volatility at the lowest premiums possible.

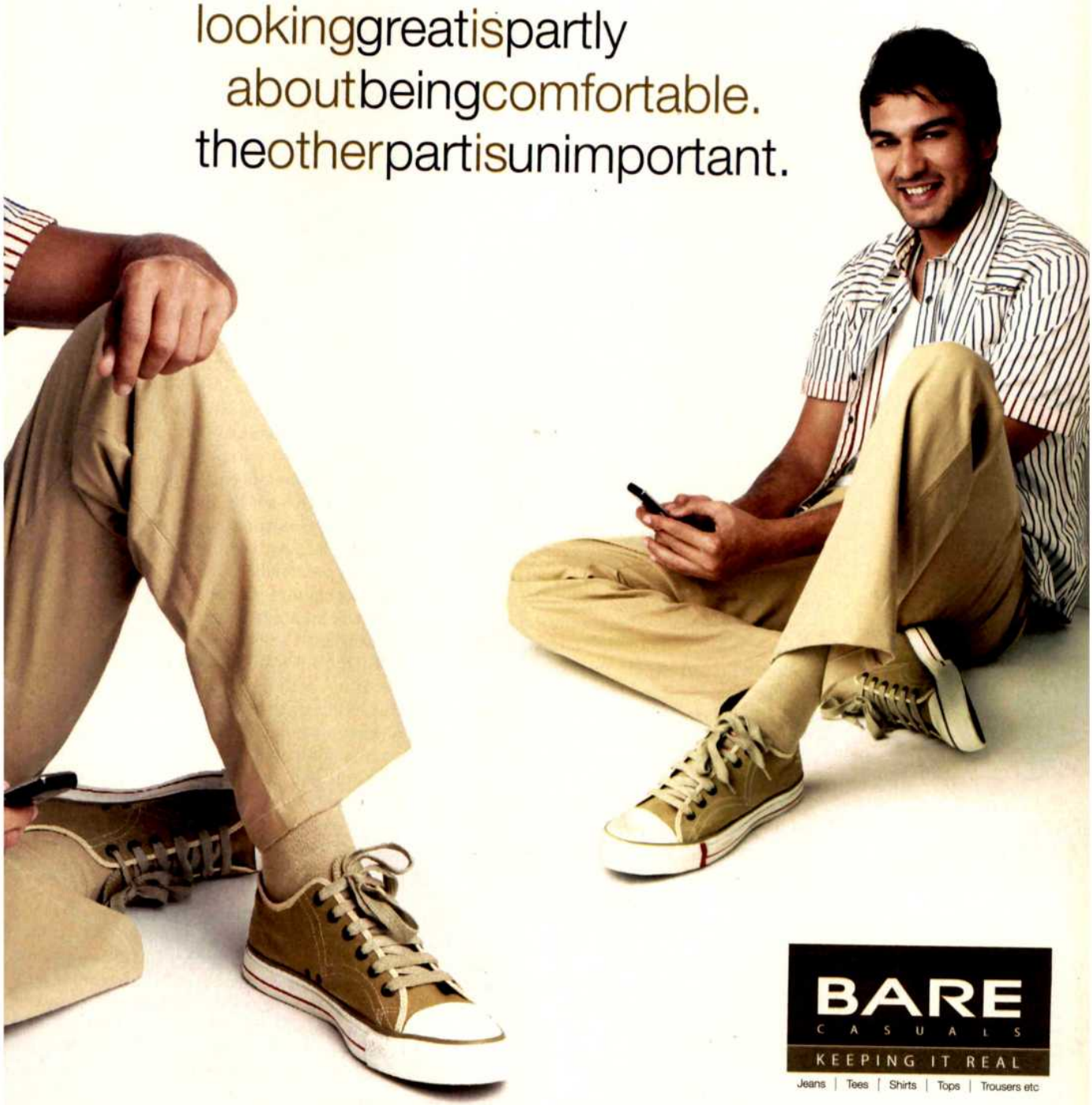
The complexity and the range of the market actually helps program trading. NSE's equity derivatives market has more than 9,000 options contracts, ideally suited for program trading. The MIFC report was confident that "the human manager with such an auto-quote system (algorithm with DMA) infuses liquidity into a vast array of options..." While program trading infuses liquidity, it can sometimes trigger market crashes — such as the one in 1987 in the US, but program trading has become much more sophisticated since then.

The DMA is among the first few major and bold steps taken by Sebi's new chairman, C.B. Bhave. An earlier step had the institutional investors grumbling about having margins imposed on their trades in the cash market. The DMA now gives them something to feel good about. Sebi has given institutional investors the freedom. Whether they misuse it through program trading, only time will tell.

*rajesh.gajra@abp.in*

futurebrands

looking great is partly
about being comfortable.
the other part is unimportant.



BARE
CASUALS
KEEPING IT REAL
Jeans | Tees | Shirts | Tops | Trousers etc

CENTRAL | pantaloons

# Virgin Temptations

**by M. Rajendran with Meghana Biwalkar**

**Will Virgin's marketing strategy work in India?**

ILLUSTRATION: ANTHONY LAWRENCE

VIRGIN MOBILE IS LIVING UP TO ITS PROMISE OF disrupting the staid mobile services market. The newest player in the industry has rattled competitors and wowed consumers with a pioneering money-back offer that promises to remake tariffs for cell phone calls. The idea is simple yet revolutionary, at least for India. Virgin will give its customers 10 paise for every minute of incoming calls they receive. Hence, if your boss calls to ask where you are on a project, keeping him talking for 30 minutes will net you Rs 3. Given that most long calls are made by young people talking with admirers from the opposite sex, it's easy to see Virgin is targeting the youth, which is its primary audience.

Virgin, which has partnered with Tata Teleservices in India, is keeping its rates for outgoing calls in line with those of competitors. But its incoming scheme has clearly taken rivals by surprise. Some dismiss the campaign. "It's a marketing gimmick," says Rahul Puri, national sales and marketing manager at Jabra Mobile. "With low subscriber base, it has a limited impact." An Idea Cellular spokesperson said that "market forces will decide about such schemes".

But even Puri admits the campaign will create "brand recall". That's important for Virgin, which is only the latest entrant into an already overcrowded market. Initial reports suggest the campaign is working well. Although the numbers are not available, the scheme seems to have attracted consumers' attention.

"For a youth this is an attraction," says Prashant Singhal, telecom industry leader at Ernst & Young. Apparently, parents have found ways to use and misuse the scheme as well. "In the evening I use my office phone to call my son to increase his Virgin credit for outgoing calls," says a clerk in the Railway Ministry, requesting anonymity. While Indian Railways and many such organisations will surely be struggling with higher telephone bills for a while, Harish Bijoor, CEO of Harish Bijoor Consults, says Virgin should be cautious when playing with strategies and tactics that are rather unusual. "The move will create top of mind recall," Bijoor says. "However, it has a flaw. Since it is across service providers and not just from Virgin-to-Virgin, the incentive to acquire a Virgin number will be low. This will, therefore, not reflect on the outgoing calls made on Virgin."

Still, there is no doubt that as a marketing strategy, the move is is as audacious as any Virgin's CEO Richard Branson has made. While cash-back offers are common in the US and the UK, especially with credit cards that pay you for a certain per cent of your expenses back, the oligopolistic nature of most Indian industries has meant companies have not felt the need for such aggressive customer-friendly offers.

Clearly, times are a-changing. For Virgin, the idea is not entirely innovative as it mirrors the frequent flier programme its airline offers fliers.

"This is not a new strategy," says Rajesh Jain, national industry leader (information, communications and entertainment) at KPMG. Yet, Jain admits the scheme is a good step towards customer acquisition, and in that sense, resembles the manner in which Reliance Mobile, then run by Mukesh Ambani, slashed prices on outgoing calls when it entered the market.

The mobile telephony industry is increasingly about creating a brand image and not just providing services. Virgin is capably imprinting its brand on consumer consciousness, and shaking up the cartel of mobile phone operators that have dominated the industry to date. But whether Virgin will be able to retain the customers it is winning over is still too early to say.

*m.rajendran@abp.in*

Our quality lies in the standards we set for ourselves. We think change is an adventure. We are prepared for the future. CDI, the largest animation film outsourcing company in South Asia is presently working on prestigious international assignments worth US$65.80 million. With a phenomenal growth of over 360% in just 5 years, CDI is fast emerging as the undisputed leader in the animation film industry in Asia. Our co-production partners include WhiteLight Entertainment, makers of block buster films - Jurassic Park, The Lost World,

South Asia's No.1 Film animation company

GAMING ○ ANIMATION ○ MOVIES

CDi
Redefining Entertainment

**Compact Disc India Ltd.**
SCO 856, NAC Manimajra, Chandigarh - 160101, India Tel +91 172 2734331 / 5076870 Fax +91 172 2733014
E-mail : info@compactdisc.co.in Website : www.compactdisc.co.in

SINGAPORE | MALAYSIA | INDIA | UNITED KINGDOM

BUZZ Inc .com

BLOOMBERG

# War Of Words

**by Feroz Ahmed**

## Boeing's stand on USAF-EADS deal has portents for India

GLOBAL DEFENCE COMPANIES ARE BAD LOSERS, AS A single deal can make or break a company. The stakes are so high that attacking the winner and even the customer is part of the game.

In February 2008, Chicago-based Boeing lost the $35-billion US Air Force (USAF) order for 179 refuelling tanker aircraft to European Aeronautic Defence and Space Company (EADS)-Northrop Grumman combine. Boeing has not only appealed against the order, accusing USAF of bias, it has also launched a PR campaign to stir up public and political sentiments against the deal. India's ministry of defence (MoD) should be wary, as Boeing and EADS are vying for India's $11-billion order for 126 combat aircraft. Already, in 2007 MoD had to withdraw its order on EADS subsidiary Eurocopter for 197 helicopters after objections from the losing contender, America's Bell Helicopter.

Boeing is accusing USAF of making a "last minute" change in the evaluation model and allowing post-deal improvements in the fuel boom. Boeing has appealed to the US Government Accountability Office (GAO), which has agreed to examine the matter despite objections from the USAF and Northrop Grumman. Boeing has lost the tanker deal twice — the first time in 2003 after a top Boeing executive — who was earlier working with the USAF — admitted that she had done favours to Boeing in procurements when she was at Pentagon.

Boeing is not resting after appealing. It is trying to stir public opposition to the tanker deal by arguing that Northrop Grumman is only an American front for the European EADS, and unless the order is restored to Boeing, tens of thousands of American jobs will migrate to Europe and America's national security will be jeopardised. Boeing's jingoism has found resonance among American senators, especially from the states of Washington and Kansas where Boeing has factories. One key backer of Boeing is Presidential candidate Barack Obama, who is also from Chicago.

Some US senators have also threatened to oppose government funding of Northrop Grumman's programme for the development and production of the KC-45A tanker, as it is called after adaptation from EADS' A330. Northrop is fighting back by lobbying the US Congress.

While GAO will decide on Boeing's appeal in a month or two, Indian defence procurement officials should learn from the episode. The worst fallout of the losers' protests in defence deals is delay in upgrading the forces. India is already years behind in modernising its forces due to past defence controversies. The MoD needs to fine tune the procurement process and ensure that the big defence deals go through smoothly.

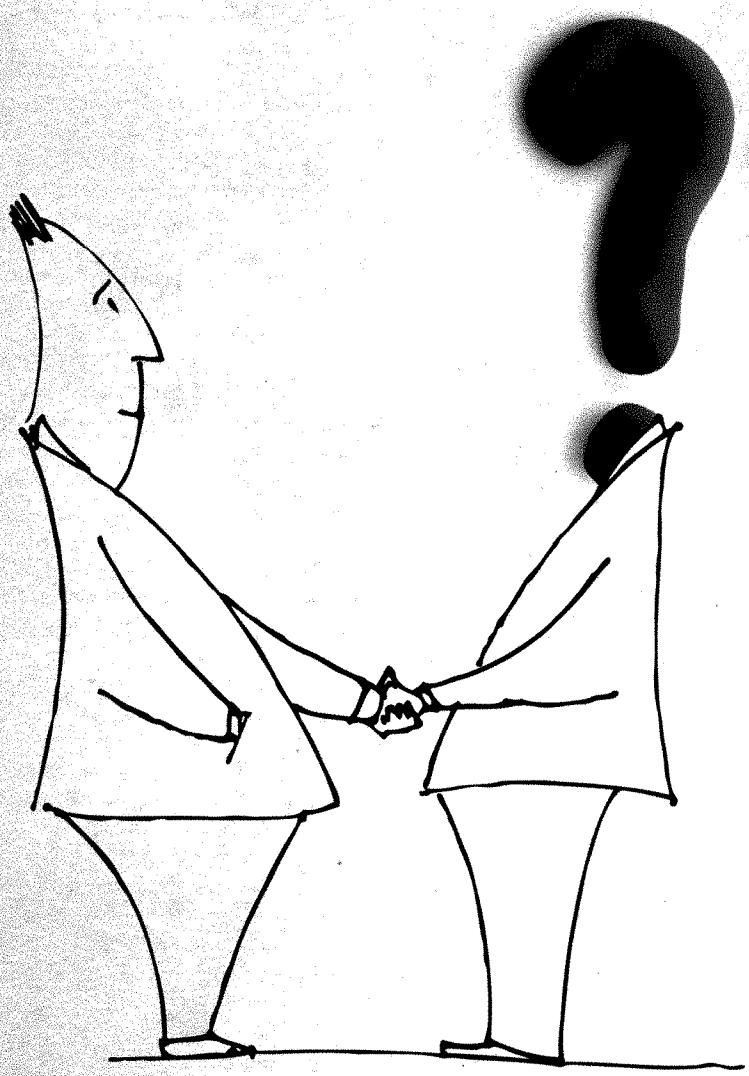
*feroz.ahmed@abp.in*

MID-AIR REFUELING: EADS/Northrop Grumman's KC-30 tanker planes in action

Microsoft

# HOW WELL DO YOU KNOW YOUR IT PARTNER?

Your business, like every relationship needs to stand on a rock solid foundation of trust. Naturally, your partners and suppliers play a huge role. But can you really trust them to give you the best? Make sure your IT partner provides you with only ORIGINAL Microsoft® software-the right standard for your business.



**Microsoft has taken legal action against the following resellers indulging in hard disk loading of unlicensed Microsoft software:**

**Target Computers**
*Bangalore*

**KMSN Systems**
*Chennai*

**Prior Computers**
*Mumbai*

**Indra Tech**
*Pune*

**Reliable Tech**
*Pune*

**Creation Computers**
*Bangalore*

**Supreme Peripherals**
*Delhi*

**Computer House**
*Jaipur*

**Sri Durga Enterprises**
*Secunderabad*

**Sam Computers**
*Secunderabad*

Consumers, businesses and partners continually ask Microsoft for help in addressing the threat posed by pirates. Microsoft works to increase awareness about the risks of piracy, to engineer products that address these concerns and to enforce anti-piracy policies and laws.

ask for original Microsoft® software

**www.askfororiginal.com**

FIVE ways to buy original Microsoft software from **askfororiginal.com**

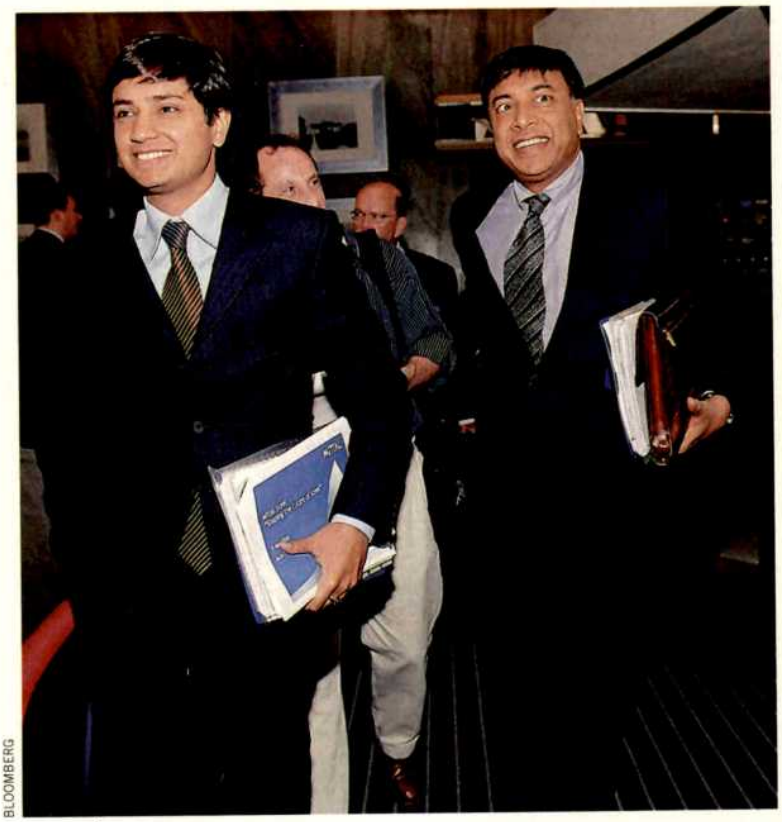
With a New PC | Buy Online | Dial-a-Software | Locate a Store | Volume License

In case you find anyone selling or distributing pirated software, please inform us immediately. Call us at these numbers, **Toll free: 1800-111-100 (MTNL/BSNL), 1800-102-1100 (Airtel)** or **Toll: 080-4010-3000**. © 2008 Microsoft Corporation. All rights reserved. Microsoft is a registered trademark of Microsoft Corporation in the United States and/or other countries. The names of the actual companies mentioned herein may be the trademark of their respective owners.

McCann/MSFT/16

# Paid Privilege

**by Sumati Nagrath**



BLOOMBERG

**TAXING:** London has until now been a playground for billionaires such as L.N. Mittal (R)

**A new tax may make some wealthy residents leave the UK**

STARTING THIS MONTH, SOME OF UK'S WEALTHIEST foreigners will have to spare some pocket change. The 'non-doms', or non-domiciles — people who live in Britain but claim domicile abroad — are not taxed on their overseas earnings and capital gains. Now the government wants them to pay a flat tax of £30,000 to maintain this status. Otherwise, they will be taxed for their overseas income like any other British tax payer.

The move follows pressure from several groups, including trade unions, to make the taxation system more equitable. The Chancellor of the Exchequer, Alistair Darling, said in his maiden budget speech in March, "[F]or those non-domiciled individuals or families who have chosen to make Britain their home, I believe that it is right and fair that they should, after seven years, pay a reasonable charge to maintain the right to be taxed differently from other UK residents."

According to consulting firm KPMG UK, the quandary for long-term non-UK domiciles will be whether it is more beneficial to pay the £30,000 tax charge or be taxed on the arising basis, which will require detailed and complex calculations with some degree of forecasting. The non-doms now have three choices — pay the new annual flat charge; pay tax on their worldwide earnings; or if they don't want to pay tax on their earnings, move to other tax havens, such as Monte Carlo or Switzerland.

According to the British Treasury department, there are around 114,000 non-domiciled individuals in the country, of which 23,000 meet the more than seven out of ten tax years criterion. And by the Treasury's own estimates, only 4,000 of them are likely to pay the flat tax, as it would still be lower than the tax on their income. Almost 14,000 will find it better to pay the UK tax, as the flat tax will be high for them. The Treasury admits that an estimated 3,000 people will leave the UK because of the flat tax.

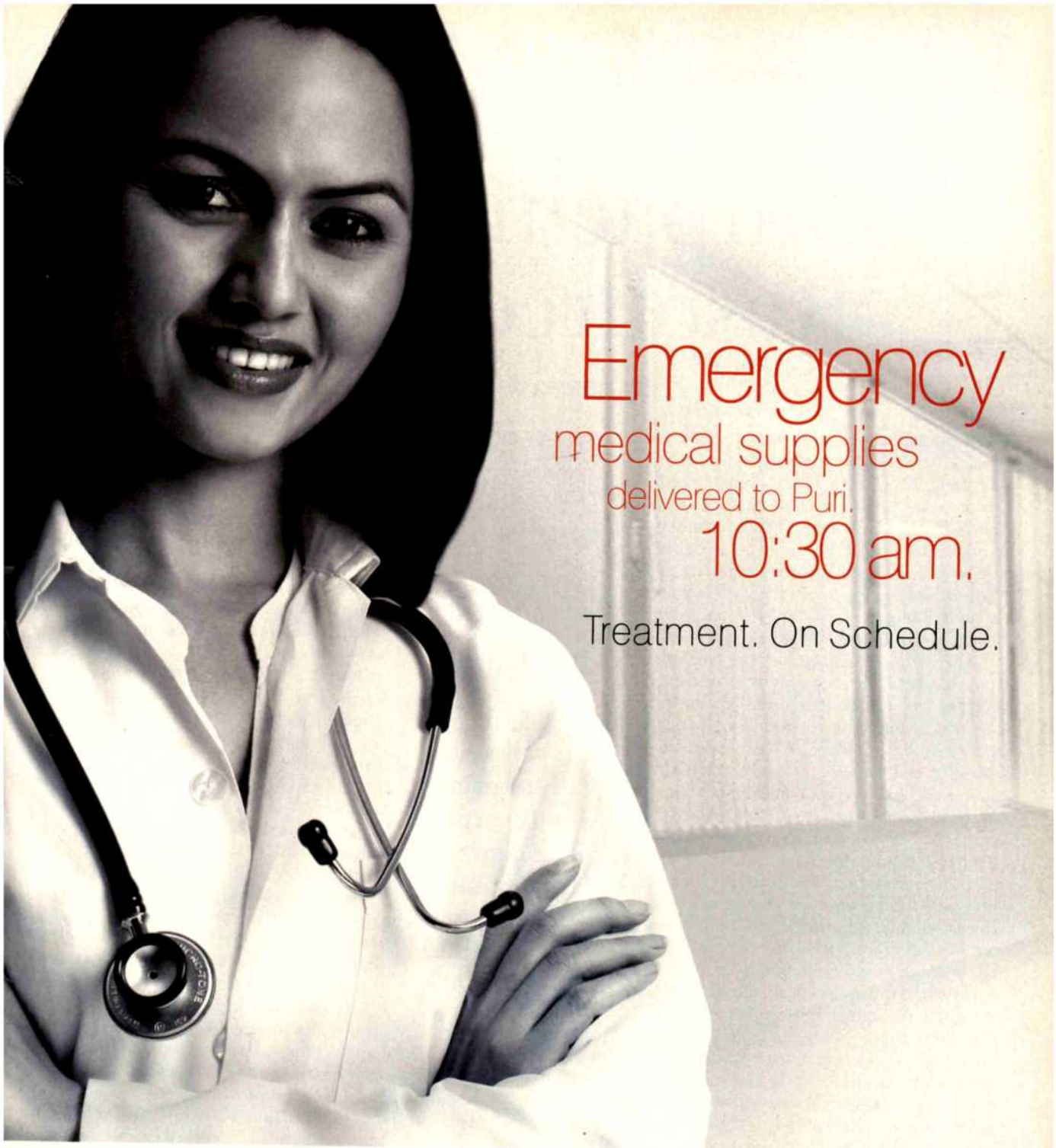
Predictably, the measures have invited severe criticism from the rich and the tax free. According to a survey conducted in January by the London-based The Society of Trust and Estate Practitioners, just over half of the UK's ultra-net high-worth individuals — those with more than £15 million to invest — were either leaving, seriously considering leaving, or selling their UK investments because of the proposed tax. The biggest reason cited by them was a loss of confidence in the UK.

If these tax-averse but immensely wealthy entrepreneurs, hedge fund managers, private equity executives and financiers decide to follow through on their threats, the reforms may end up costing the British economy dearly. The rich and the wealthy are given such exalted tax status because they are also wealth creators, they build businesses that generate economic activity and jobs.

By the Treasury's estimates, the new tax will raise around £700 million a year. Compare this with the £12 billion contribution of the non-doms to the country's GDP last year. The possible 'exodus' of individuals could leave a gaping hole in London's City district — the country's financial heart — and threaten its status as an international financial centre.

But opinions differ. David Kilshaw, the head of private client advisory at KPMG UK, says that the measures in their current form are modest and that "London will retain its standing".

*sumati.nagrath@abp.in*




The oceans rose. Villages were washed away. The world prayed for a miracle. We, at First Flight delivered, against all odds.

800 branches. 1800 destinations, serving over 5200 PIN codes. 100 million shipments a year. We deliver everything from documents and parcels to gifts, cargo consignments, even perishables.

And as the good doctors said, we even deliver life.

First Flight®
First Flight Couriers Ltd.

India. On Schedule.

# Outpacing Resources

**by nayan chanda**

**Will the gathering food crisis finally prove 18th century economist Thomas Malthus right?**

WITH OIL PRICES HOLDING STEADY AROUND $100 a barrel and cost of food rising at an alarming pace, threatening hunger and protests, the world economy has reached a new ominous juncture. Eighteenth century economist Thomas Malthus, who predicted cycles of population growth outpacing resources and leading to catastrophic decline, is again being invoked. Will the gathering food crisis finally prove Malthus right?

To agree, one must ignore the amazing track record of human ingenuity in overcoming the myriad challenges to our survival. Yet the web of political, economic, ecological and environmental factors that have combined to bring about the current crisis is daunting and unprecedented in its complexity. Governments can restrict the export of grain, as India, Vietnam, Argentina and Egypt have done; scrap tariffs on food imports, as have some African countries, and everyone can accumulate emergency food stocks. All this will provide a short-term fix, but will fall short of resolving the crisis that has been building for decades.

Human development has evolved around the search for basic sources of energy — from food and fuel for cooking to the more modern needs of powering transportation, lighting and heating homes. With the discovery of new continents, more land has come under the plough; steam-powered boats allowed food grains to be shipped half way across the globe to feed industrial workers and with technology, agricultural yields have grown. As historian David Christian noted, by tapping millions of years of solar energy stored underground in the shape of coal and oil, humans have found the equivalent of several new continents to exploit. Malthus was thought to have been proved wrong as the world population has exploded, from 1 billion in 1900 to around 6.5 billion today. But all indications are that we are approaching the end of that happy growth phase.

World reserves of grain now stand at their lowest in 25 years and with depleting levels of groundwater, climate challenge and diminishing returns, food yields are slowing. Traditional wheat exporters, such as Australia, Canada and Argentina, are expected to produce less and only the US will be able to step up its export. While the world's largest rice exporter Thailand promises not to cut back, the number two supplier Vietnam, hit by unseasonal weather, is not taking new export orders. India will sell only the more expensive basmati. Global food exports are expected to drop 3.5 per cent from last year. Coming on top of an 80 per cent rise in grain price since 2005 (42 per cent last year alone), poor weather forecasts have created a sense of crisis. A dozen countries in Africa and Asia have experienced food-related demonstrations. Hoarding by traders has raised prices and tempers. World Bank President Robert Zoellick warned that 33 countries faced unrest because of surging prices and urged rich nations to give $500 million in emergency aid to the UN World Food Programme. However valuable this may be in preventing starvation, it falls well short of providing a long-term solution. This is because for the first time, the need of food production is brushing with the imperative of energy production on the earth's surface in a major way. Already 18 per cent of US grain production is being diverted to produce ethanol. With President Bush's call to produce 35 billion gallons of alternative fuels by 2017, the share of grain withdrawn from the food basket will rise.

With the world population still growing at over 1 per cent a year, we will need more farmlands and green revolutions. Experts speculate that at best, 10 per cent more arable land may be found in Brazil and Sub-Saharan Africa. But climatalogical vagaries and a lack of investment complicate efforts to access farmlands in Sub-Saharan Africa. In Brazil, new farm land can only be created by clearing the Amazon rainforest, raising the risk of drought. Increasing food output on the existing land would require more intensive cultivation and, yes, unpopular genetically modified crops. Industrial farming would certainly increase carbon emissions, thickening the canopy of greenhouse gas, which has grown silently since the Industrial Revolution.

A century of growth now confronts humanity with difficult zero-sum choices. Addressing these will require a global approach, taking into account the imperatives of growing more food, creating clean fuels and fighting climate change all at the same time. A rather tall order, indeed.

The author is Director of Publications at the Yale Center for the Study of Globalization, Editor of *YaleGlobal Online*.
*boundtogether.bw@gmail.com*

# IIMA - ESSEC GLOBAL MANAGEMENT PROGRAM ON LUXURY MANAGEMENT

**OBJECTIVE:**

This program will provide an in-depth training on the luxury market and the exciting opportunities for India in this industry. Studying the business models and best practices of the luxury market, participants will strengthen their understanding of management competencies in the Luxury Industry. Drawing on the expertise of both schools of higher education, students will expand and share horizons of knowledge in the business context of the Indian and French/ European luxury markets. In understanding the nuances of this unique sector and the intangibles that make the industry unique, participants will gain a competitive advantage in these two challenging markets that will allow them transform the 'emerging market' of India into an industry leader in luxury goods.

**CONTENT:**

a) Anthropology of luxury consumption; b) Branding experience; c) Service dimension in luxury brand management; d) Effective loyalty program designing and implementation; c) Competitive strategy & managing multi-brand conglomerate; d) Finance and private equity in luxury industry; e) Understanding markets and consumers; f) Determining potentials of markets location and formats; g) Managing funds & Costs; h) Enhancing supply chain and information efficiencies; i) Using technology to enchance customer experience and efficiencies; j) Customer value based retailing strategy; k) Pricing for brand building; l) Managing people in the luxury industry.

**FOR:**

Professionals with a minimum of 5-7 years of full-time professional experience are eligible to apply. Suggested profiles include: a) Senior Executive (VP, GM); b) Line-Managers (Brands, Stores, Merchandisers); c) High Potential Young Managers; d) Experts in Luxury & Fashion Industry operating in Europe/ France and Indian sub-continent.
Experience in the following roles is preferred but not limited to: a) Commercial (New Business Development) Directors; b) Marketing Directors; c) Strategy Directors; d) Logistics Directors; e) International Controller; f) Export Directors.

**FEES:**

Euro 8000 (for non-Indian participants)
INR 475 000 (for Indian participants)

**COORDINATOR:**

Prof. Prathap Oburai (prathap@iimahd.ernet.in)
OR mdp@iimahd.ernet.in

**For more information contact:**

IIMA, Vastrapur, Ahmedabad 380 015, India
Tel: 91-79-66324072-77 /
www.iimahd.ernet.in/mdp

Advt

## EXECUTIVE EDUCATION

DATES:
June 16-20, 2008 (ESSEC Business School, Paris, France)
August 18-22, 2008 (Indian Institute of Management, Ahmedabad, India)

विद्याविनियोगाद्विकासः
IIM
AHMEDABAD

ESSEC
BUSINESS SCHOOL
PARIS-SINGAPORE

# Reborn Under Scorpio

by Dinesh Narayanan

**EXECUTIVE SUMMARY**

- **M&M's entry into the US market may well be a gamble, but it's meticulously planned and might pay off**
- **The keys to success: fuel efficiency and low emissions, despite the usual SUV benefits, and a network of dealers who are rewarded handsomely**

THERE WAS NO BRIEF. There was no market research. In 1996, when Shyamkumar, a rookie IIT-trained engineer at Mahindra & Mahindra (M&M) began designing a new vehicle, the exercise was only supposed to be the R&D department's pilot project in a business process re-engineering initiative that the company called Integrated Design and Manufacturing. For inspiration, Shyamkumar had only M&M's Vice-Chairman Anand Mahindra's vision of turning from a tractor- and jeep-maker into a modern-day auto giant.

It was a critical time. M&M was fighting for survival because the government's 1993 automobile policy had thrown the industry open to foreign competition. M&M knew it had to change but was not sure how.

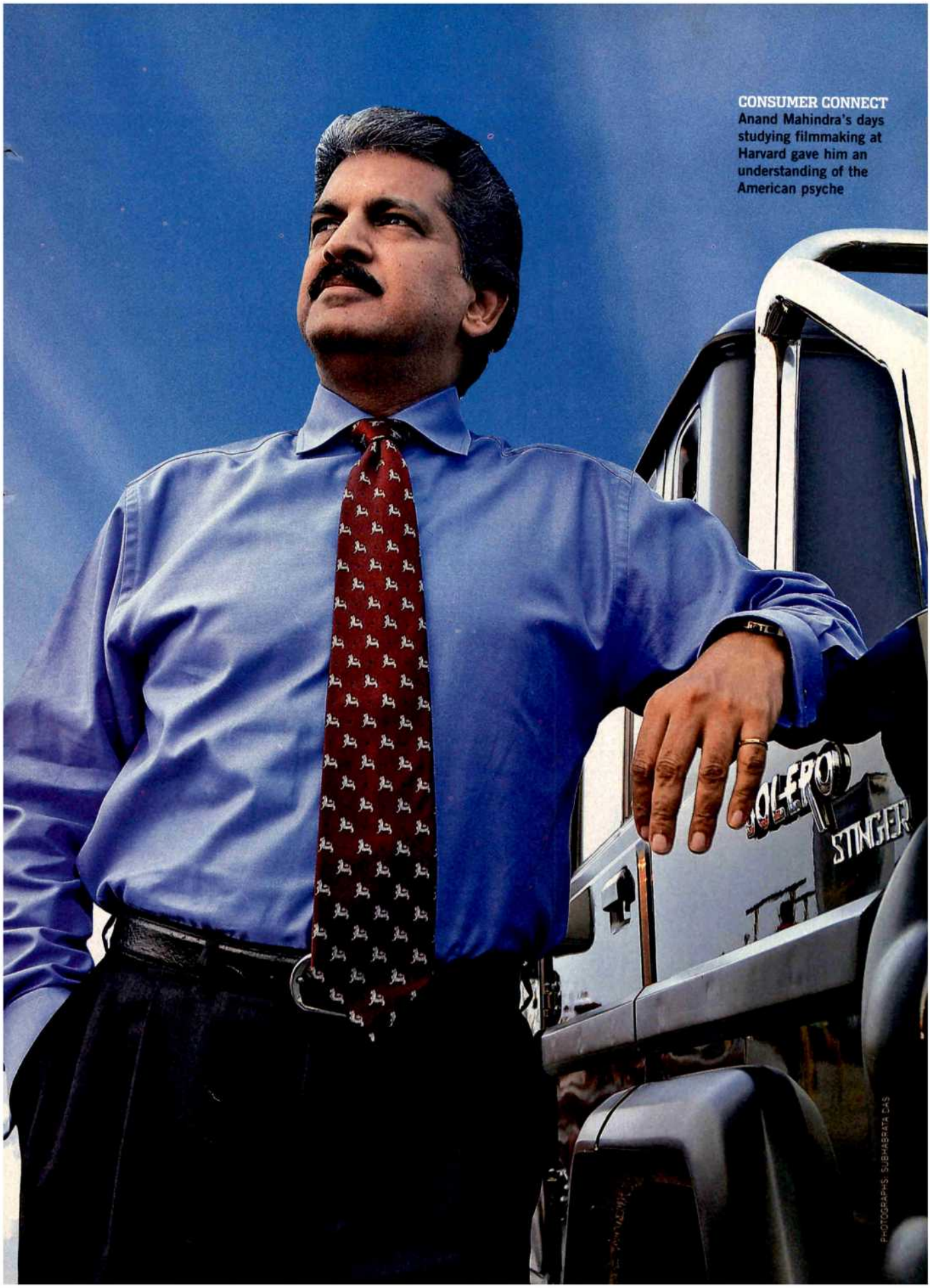
It was Shyamkumar's elegant design for a new Sports Utility Vehicle (SUV) — which later became the Scorpio — that woke the company to new possibilities. "A young boy had touched a design nerve... I looked at it (the design) and said this is the company's future," Mahindra says as he wolfs down a health-freak's lunch of boiled vegetables. The design moment of the Scorpio was also the defining moment for M&M as a company and brand. It changed the way M&M saw itself in the mirror — overnight. It was a classic case of a product defining a strategy instead of the other way around. The Scorpio inspired M&M to embrace new strategies that would transform the company from a mere tractor and soft-top vehicle maker into a brand-conscious yuppie of the corporate world.

**M&M's US entry is a saga of a man and his machine seeking glory in an alien land**

Today, the gently greying Mahindra, who once wanted to make films, not automobiles, has proved adept at steering his over Rs 10,000-crore company through this change.

M&M products, such as the Scorpio and its smaller cousin Bolero, are now competing effectively with foreign competition at home. The automotive division, which makes utility vehicles (UVs) and SUVs, now contributes 61 per cent to M&M's revenues. Of the 288,601 UV/SUVs sold in India in the year up to March 2008, 148,761 or 51.6 per cent were M&M vehicles and 39,935 of these were Scorpios.

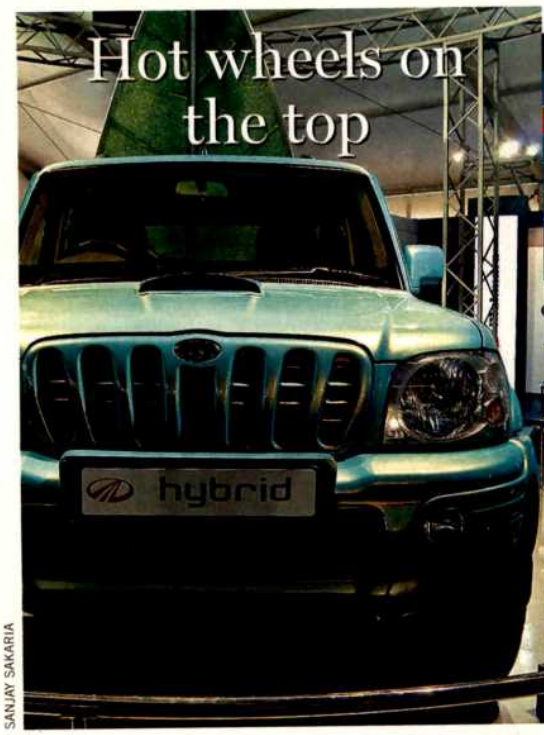
But not content with that, Mahindra is now obsessed with taking both his rugged off-roaders to global markets. This ambitious plan includes entering the most competitive auto market in the world, the US. Starting next year, M&M will ride into the US market on the back of a multi-million-dollar marketing plan and aim to entice 10,000 Americans into overlooking competition from the likes of Honda's CRV and pay about $25,000 apiece for its Scorpios. It will mark the first time an 'Indian' vehicle will lock horns with the heavyweights of the auto in-




**CONSUMER CONNECT**
Anand Mahindra's days studying filmmaking at Harvard gave him an understanding of the American psyche

PHOTOGRAPHS: SUBHABRATA DAS

# Hot wheels on the top




SANJAY SAKARIA

M&M's market share in the UV/SUV segment in India

| | F 08 | Growth | Share | F07 |
|---|---|---|---|---|
| TOTAL | 2,88,601 | 5% | 100% | 2,74,520 |
| M&M | 148,761 | 16.4% | 51.55% | 1,27,856 |
| TATA MOTORS | 59,864 | -12.2% | 20.74% | 68,211 |
| FORCE MOTORS | 8,104 | -18% | 2.81% | 9,940 |
| MUL | 3,132 | -3% | 1.09% | 3,221 |
| GM(TAVERA) | 20,671 | -5% | 7.16% | 21,871 |
| TOYOTA | 48,069 | 11% | 16.66% | 43,421 |

Source: Industry

Scorpio's market share in the SUV segment in India

| Tops | F 08 | Growth | Share | F 07 |
|---|---|---|---|---|
| TOTAL | 68,938 | 16% | 100.00% | 59,429 |
| TATA SAFARI | 19,078 | 21% | 27.67% | 15,816 |
| MM SCORPIO | 39,935 | 5% | 57.93% | 38,015 |
| FORD ENDEAVOUR | 2,918 | 48% | 4.23% | 1,975 |
| HONDA CRV | 3,427 | 82% | 4.97% | 1,880 |
| HYUNDAI | 188 | -52% | 0.27% | 391 |
| MITSUBISHI PAJERO | 1,676 | 75% | 2.43% | 960 |
| MARUTI GRAND VITARA | 795 | 1.15% | - | - |
| NISSAN X-TRAIL | 173 | -31% | 0.25% | 252 |
| TOYOTA PRADO | 141 | 1% | 0.20% | 140 |
| GM CAPTIVA | 607 | 0.88% | - | - |

Source: Industry

## TRIDENT THRUST

**M&M HAS fashioned a three-pronged strategy for the automotive sector — passenger cars, commercial vehicles and utility vehicles.**

**"We will never do a car project by ourselves," says Pawan Goenka, president of the automotive division. "It will always be in partnership with a carmaker such as Renault." The passenger car business is essentially a marketing tie-up where M&M will use its distribution network to supply cars in the market. It will not even make them.**

**In the commercial vehicles segment, the company has a JV with International Trucks (ITL) — Mahindra International (MIL) – which will develop a complete range of commercial vehicles. The parent M&M has a non-compete agreement with ITL under which either company will not tie up with anyone else. However, MIL is free to forge relationships on its own. The company's entire focus would be on SUVs, MUVs, and pick-ups. "That is where we are focusing on building a global brand," says Goenka. M&M will develop vehicles and market them independently in that segment.**

**Currently, it is working on three new platforms. The first one to hit the market by mid-year would be the Ingenio. "However, it is unlikely to be called the Ingenio. That is the project name," says marketing head Rajesh Jejurikar. M&M is also working on Project W201; a monocoque SUV, to be positioned as a premium vehicle, above the Scorpio. "It would have a completely new common rail diesel engine with cutting-edge technology not yet on the road anywhere in the world," says Goenka. It is expected to be launched in 2010. The third platform is an MPV about which Goenka remains tight-lipped.**

**Goenka says that the company plans to create new platforms at a faster clip. In fact, that is an objective stated on posters all over the company – "We will develop three new platforms in the next four years".**

dustry in the world's toughest arena. It could be Mecca... or Valhalla.

### The Birth Of The Idea

"It's a gamble," Lindsay Chappell, Automotive News' bureau chief in Brentwood, Tennessee says of Mahindra's plans. "The strongest advantage that Mahindra has, I believe, is that the products that are coming are unlike other products on the road here. The models use four-cylinder diesel engines. There is a growing curiosity here about small-displacement diesels. There are none here."

If it's a gamble, then it's one whose rules were very meticulously laid out by Mahindra in the mid-1990s. Despite consultants and other advisors telling him to sell off the automotive division and grow the tractor business, Mahindra, who had just taken over running the company from his uncle, the iconic Keshub Mahindra, decided to play the game by his own rules.

"We believed that we had a shot at being a niche global player in SUVs," says Mahindra, who recently bid against Tata Motors to buy Jaguar and Land Rover. Mahindra saw that India's pot-holed roads, difficult terrain and great distances — often held up as the country's disadvantages — were actually great strengths for an SUV maker. "If a vehicle could go in India, it could go anywhere," he says. "We made go-anywhere vehicles for the army. It was a readymade global positioning."

Confident that the design skills M&M was

developing would marry well with the company's frugal engineering capabilities, the company's board invested Rs 600 crore in developing the Scorpio, says Pawan Goenka, who heads M&M's automotive division. Goenka, a PhD from Cornell, joined M&M in 1993 after a 14-year stint at General Motors' engine research centre in Michigan.

To reduce costs, Goenka contracted manufacturing to companies that had technology but had never been given the chance to prove it. For instance, South Korean suspension maker Samlip had never designed the full suspension system for a vehicle but M&M entrusted it with that task. Another South Korean company, Wooshin Systems, that had also never done a full body shop design, did the body jigs and fixtures. "It was a very tense decision," says Goenka. But such moves stood M&M in good stead. Its once-small suppliers have become global players and M&M has found itself possessing a world-class supply chain.

In 2002, the Scorpio set out on the path of pioneering all-terrainers, such as Chrysler's Jeep Cherokee and Land Rover's Defender. These vehicles had been the choice of outdoor enthusiasts, armies and organisations that needed utility vehicles ever since they were launched just after WWII. But in the 1980s, when SUVs became cool and manufacturers padded them with creature comforts for soccer moms, the prices of the Defender and Jeep zoomed. With the 2007 Defender costing about $42,000, Mahindra gambled that its buyers would be hungering for cheaper alternatives.

His hypothesis was first proven in South Africa. "We were looking for a reliable vehicle that could perform like the Defender but was not as expensive and found that Mahindra vehicles fitted the bill very well," says Ivor Ichikowitz, executive chairman of the Paramount group, which has been supplying tailored vehicles to police and armies in most African countries for several years. When Ichikowitz saw M&M's vehicles he was so delighted and excited at their possibilities he became the junior partner in a 51:49 joint venture with Mahindra focused on selling the company's UVs and 'bakkies', as the pick-ups are called in Africa. So far, the JV, which sells Scorpios, Scorpio pick-ups and Boleros, has sold close to 9,000 vehicles in South Africa over the past three years. Last year, the South African operations brought in Rs 301 crore.

Vijay Nakra, the sushi-loving CEO of Mahindra South Africa, says the rainbow nation was also crucial for M&M because it brought the company face-to-face with global competition for the first time outside India. "The SA market is like a microcosm of the world market," says Nakra. Five of the world's top carmakers — Toyota, Volkswagen, General Motors, Ford and Nissan — control three-fourths of the South African market. Adding to the competition are cheap Chinese imports, such as Geely and Meiya.

Sonja Kee, a chicken farmer from the largely bush country of Bela Bela, 65 km from Pretoria, says she apprehensively bought a Scorpio last year because a dealer, Michelle Venter in Pretoria, persuaded her to try it. After doing 30,000 km in a year she is a convert. "I used to drive Toyotas. But now I will not switch," Kee says as she watches Venter's employees give her Scorpio a power wash.

Part of the reason for such success is what P.N. Shah, M&M's head of international business, calls RWUP or real world usage pattern. This considers the tastes and requirements of customers in different markets and incorporates them into the product development process so that the final vehicle can be launched in different regions of the world with minimal tweaking.

Eager-to-sell dealers are also helping M&M widen its footprint in South Africa. Nakra says that the company went for a combination of dealerships. While major dealers, such as McCarthy, one of the biggest in the country, have allocated separate space for Mahindra vehicles, M&M has also tied up with a host of used-car dealers with entrepreneurial spirit. Now many of its 40 dealers are such entrepreneurs who exclusively sell M&M vehicles.

**FIRST OUTPOST**
**M&M has learnt its global lessons well in South Africa, a microcosm of the world market with a strong presence of big players**

# The new face of Trident

TRIDENT
HOTELS

What has not changed is the fact that
you can always depend on us for a
delightful and memorable experience.

Be it business or leisure, you can be sure we will do
everything we can to make your stay enjoyable.

Trident, Agra
Trident, Bhubaneswar
Trident, Chennai
Trident, Cochin
Trident, Gurgaon (Delhi National Capital Region)
Trident, Jaipur
Trident, Nariman Point, Mumbai
Trident, Udaipur

Trident, Bandra Kurla, Mumbai -
Opening in the last quarter of 2008

# At Trident, you're sure.

Toll free reservations: 1 800 11 2122 E-mail: reservations@tridenthotels.com
www.tridenthotels.com

In fiscal year 2008, M&M exported 12,000 vehicles to South Africa, Europe, Chile, Brazil, Egypt, Nepal and Sri Lanka through 350 dealers, over 100 of whom were in Europe.

### Raiding America

Cracking America will be tougher than selling vehicles in Africa, Mahindra admits. So he's roped in a partner who knows how to fight tough battles. John Perez, the auto maverick who owns Global Vehicles and has brought a variety of autos from around the world to the US, will be the importer for Scorpios in the US. Perez has already declared that he hopes to sell about 45,000 Scorpios in 2009, which would give M&M revenues of $1 billion in the US alone. To achieve this, Perez says, he will sign on 300 Scorpio dealers. That makes the math of his challenge appear easy — each of the 300 dealers will only need to sell three vehicles per week to give Perez and Mahindra sales of 45,000 Scorpios.

But easy math can make for tough marketing. Americans are not very easy customers. When Nissan wanted to enter the US market in 1958, it set itself the target of selling just 500-1,000 vehicles in the first year. It sold 83. At least one Chrysler vehicle and a Ford model have failed because they did not have enough cup holders!

Goenka says the company has set itself a target of selling 10,000 vehicles in the US in 2009 — and they will all have "holders in the front and back that can hold large cups", laughs Arun Jaura, who has just been elevated as the chief technology officer of the group. Jaura, who built the Ford Escape hybrid in Detroit, is busy rolling out hybrid vehicles for M&M now.

M&M will also spend $50 million (Rs 200 crore) to upgrade the Scorpio for the US market as the Indian version will not meet safety norms or customer needs. For one, the company is working on Project W408, which is fitting the Scorpio with a reconfigured version of the powerful mHawk engine, a second-generation 2.2-litre common-rail system M&M developed entirely in India. This is important as Mahindra expects the Scorpio's fuel-efficient and low-emission engine to win over customers who feel guilty about driving gas-guzzling automobiles, yet want the size and performance of an SUV.

"Fuel efficiency is more of an issue than it's been in the past," says Rebecca Lindland, research director of automotive group at Global Insight, an independent research firm. "But it's not the only issue, nor is price. Consumers still monitor safety ratings, reliability, comfort and convenience even more than gas mileage."

To this end, Goenka says he would offer US consumers multiple Scorpio variants — a single-cab pick-up, a double-cab pick-up and the full-size SUV. Each will "have new seats, a new four-channel ABS, dual-stage airbags, lots of electronics and everything will be T2B5 compliant", he says. T2B5 or Tier 2 Bin 5, is the American emissions standard that automobiles have to follow. Perez has said all vehicles would come with a four-year, 60,000-km warranty.

On paper, all this would give M&M a credible position in the mid-size SUV market where the company wants to position itself as a value-for-money alternative. But it will take a lot more to actually get US consumers to want to have a vehicle wearing the M&M badge parked in their driveways, next to their neighbours' Toyotas and Fords.

Automotive News' Chappell believes US consumers would be hesitant about buying an unknown vehicle made in India. "It took Americans 25 years to accept that the Japanese really knew how to build cars," he says. "Even Hyundai is still trying to convince shoppers that its cars are reliable and well built." But Goenka bravely insists that M&M is not a completely unknown brand in the US because the company sells tractors there. It has sold about 10,000 tractors in the US and sales are growing at about 25 per cent annually. But in reality, "the Mahindra identity is as familiar to American car buyers as *aloo*

**GROWTH DRIVERS**
**Arun Jaura (left) chief technology officer, and Pawan Goenka, head of the automotive division**

SUBHABRATA DAS

SUBHABRATA DAS

BLOOMBERG

**NO GAS-GUZZLER**
**Scorpio can be a less-expensive alternative to popular SUVs, such as the Land Rover**

*palak* is to a cowboy", Chappell says.

Mahindra's days studying filmmaking at Harvard gave him an understanding of the American psyche. To connect with American buyers, M&M is likely to badge its American pickups with a true-blue American name that invokes the 'great outdoors' — Mahindra Appalachian.

While many Indian companies make the mistake of falling in love with their products while shying away from investing in 'soft' elements such as advertising, Mahindra will spend as much — Rs 200 crore ($50 million) — on promoting his US vehicle as he will spend on developing it. Global Vehicles has hired the iconoclastic advertising firm Strawberry Frog to position its vehicles. "Our objective is to launch a car in the US in a way that has never been done before," Scott Goodson, founder and chief executive of Strawberry Frog told the media on the sidelines of Goafest, an international advertising conference. "We are going to launch it in a way that people are going to say 'Holy wow! That is cool!' We are not going to do it in the traditional way... It's not going to be a bunch of commercials about a guy driving a car. It is going to be a brand idea," Goodson said.

M&M is also talking to a couple of assemblers in Ohio and other states to assemble knocked-down kits of their vehicles. Though this would raise costs, the company would net two benefits. It would sidestep the 25 per cent 'chicken tax' levied on imports. More importantly, local assembly would help overcome the average American's resistance to foreign brands, a lesson German and Japanese automakers have learned.

Curiously, the largest financial risk M&M could face in the US is litigation and recalls. American safety laws are demanding and even small faults can result in high-cost product recalls. P.N. Shah says the company is aware of the complexities of the market and is prepared for it. He did not divulge details.

But, will all this give M&M what it takes to succeed in the world's most competitive market? Lindland says M&M's SUVs would face stiff competition from Toyota's RAV4 and Honda's CR-V. Competition, Chappell says, would be especially aggressive in this recession year, when cars sales are expected to fall 6 per cent, according to US analysts.

As in Africa, it is M&M's US dealers who will hold the key to the company's success, Chappell says. "If dealers feel they are being rewarded by selling a car, they will overcome great obstacles to continue selling it."

Perez himself has a reputation to salvage. About a decade ago, he had enlisted a host of dealers to sell Romanian utility vehicle Aro in the US under the name Cross Lander. However, that effort came unstuck when the plant Perez had purchased in Romania got so mired in local issues and red tape that he had to leave the country. To sell Scorpios, Perez has now enlisted many of the same dealers who had invested in Cross Lander showrooms.

## In the Wake Of The Flagship

Mahindra stresses that his ambitions are eminently achievable for they are reasonable. "Our total production capacity (200,000) is a fraction of the market (US)," he says. "We are not looking to dominate it. We want to create a niche for our products."

Mahindra wants his vehicles to compete with the best because he believes it would help the company improve its abilities and class. Having to cater to the most demanding customers automatically raises the bar. It would force M&M to become truly global, a process that began when the engine of the first Scorpio turned over.

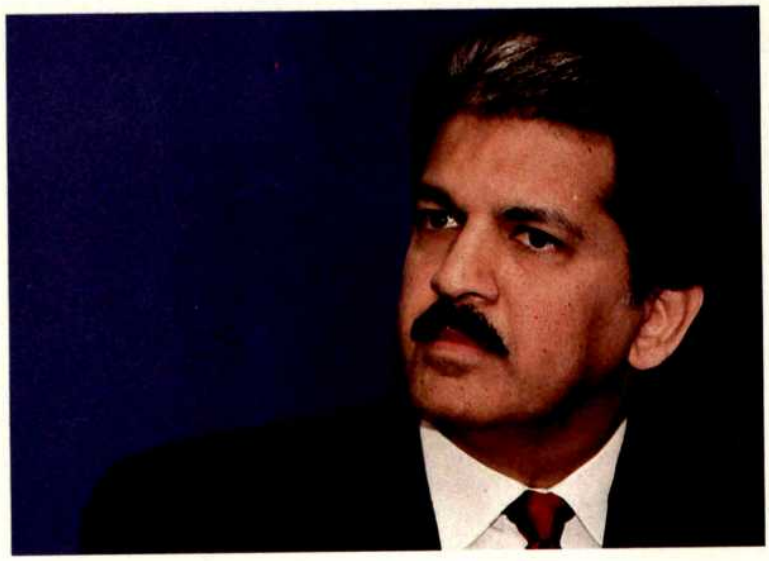
In many ways, the US entry will also be the champion vehicle's last lap. Though M&M is counting on its trailblazing Scorpio to lead the way into the US, it is also preparing for life after the ageing winner. The company is spending Rs 500 crore-600 crore to develop a monocoque SUV for the US market. Codenamed W201, the vehicle will be powered by the mHawk engine, albeit in a completely redesigned and reconfigured form. It will hit the US market in the next couple of years.

The Scorpio would continue to sell for many more years even though new vehicles bearing the Mahindra brand may unseat it from its lofty perch. But none of them are likely to be an avatar that would consume the company the way the Scorpio did.

*dinesh.narayanan@abp.in*

# 'I was an iconoclast'

— Anand Mahindra
Vice-Chairman, Mahindra and Mahindra



SANJAY SAKARIA

**Anand Mahindra has steered M&M through difficult phases with equanimity. Now he is poised to turn the company into a global SUV player. In a series of interviews with *BW*'s Jehangir S. Pocha and Dinesh Narayanan, Mahindra talked about M&M's strategy, his days studying film at Harvard and how he's come to be the person he is.**

**Q: Your critics say there is no real market for a small SUV in the US.**

**A:** That is not true. The RAVs and CRVs are already there in the small, crossover SUV market. The trend towards smaller SUVs is catching up. It will grow faster than in the past. Our key market will be the pickups. Even in the farm area, the challenge and opportunity is diesel. Very few people buy diesel vehicles. We are positive that the environmental movement is also going to gather steam in the rural and semi-rural areas. Pick-ups are used all over America, in towns as well as in rural areas. The evidence is that diesel is a green fuel. It helps fight climate change. So you might be touching a sweet spot in the market.

**Q: So how will you sell an Indian auto to a flag-waving American customer?**

**A:** Everything has to be looked at in the context of our aspiration. This is a market that sells 17 million vehicles a year. At one stage, half of the market was SUVs. Pick-ups were the largest selling vehicles. One of the largest selling vehicles was the Ford F-150 pick-up. So you have to look at the scale of that market in relation to the volumes we are loking for. M&M's volumes today are in the range of 250,000, so to make a substantial impact on M&M's operations, financially, let alone the technology and brand spin-off you get, the volumes (needed) are minuscule.

**Q: The Scorpio is priced quite low. How will your margins work out?**

**A:** It is all a function of your base cost being much lower. Only if you are presuming your cost base to be the same, and your pricing to be lower, will your margins be lower. Let me put it this way: when Carlos (Gohn) came, he found that he was able to bring in the Logan plant at 15 per cent lower cost. He even found he could roll out the vehicle at 20 per cent to 30 per cent lower cost out here. If we trust Carlos' figures, then we definitely have a manufacturing cost advantage.

**Q: What was life like when you were a struggling filmmaker?**

**A:** So here's a funny story. I met my wife when I was making my thesis film at Harvard. She is from a Marwari business family and they had no idea about filmmaking. I had to take my future in-laws to visit my family's coffee plantation to reassure them I had a fallback source of income.

**Q: What drove you to choose films when you had a clear path to corporate success?**

**A:** I never had the problem of having to prove myself (in business). The reason I got into films, however, was to prove myself. When I grew up, everybody said the fellow is going to go into the family business. It used to make me nauseous to hear people presume what my life is going to be. And I was an iconoclast, I was a member of the communist party. I went into films to show that I could engage in something that was a far cry from the family business and still be successful. I got a summa cum laude for my thesis and magna overall. So when I finally went into business, it was without having to prove anything to anybody.

# IN BUSINESS, THERE IS NO TIME TO WARM UP.

To get ahead in business, you need to think on your feet. That's why we invented the new HP LaserJet Multi-function Printers with "Instant-on Copy" technology - an innovative feature which allows copy jobs to start in seconds. Smart ideas like built-in network capabilities allow you to Print, Fax^, Scan over the network, Fax/Tel differentiates fax from voice calls helping your workforce keep the competition on their toes. HP. Limitless innovation. Infinite possibilities.

**Win an HP LaserJet MFP every fortnight!**
**Log on to www.hp.com/in/multifunction/bw and take part in an exciting contest.**

WHAT DO YOU HAVE TO SAY?

hp

HP LASERJET M1522 MFP SERIES

**Rs. 21,599*** onwards

- Up to 24 ppm - print and copy
- Network ready
- Private fax receive and Fax Tel option
- Scan to fax, Scan to e-mail

HP LASERJET M2727 MFP

**Rs. 39,599***

- Up to 27 ppm - print and copy
- Private fax receive and Fax Tel option
- Two-sided printing for both print and copy
- Scan to fax, Scan to e-mail

HP LASERJET M1120n MFP

**Rs. 17,899***

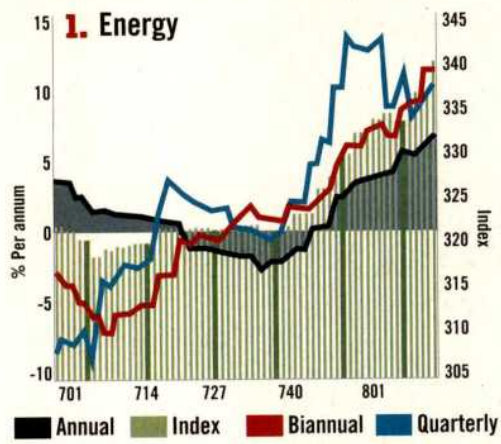
- Up to 20 ppm - print and copy
- Network ready
- OCR software, ID copy

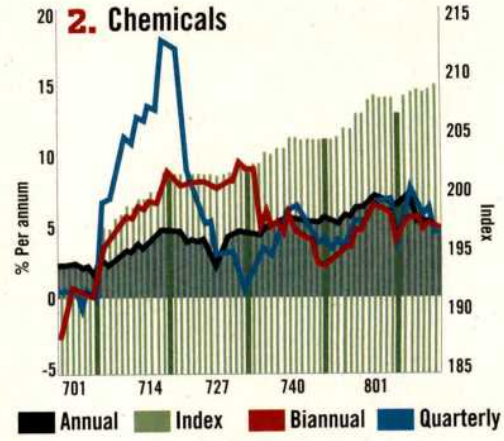
Buy
HP CARE PACK
to extend warranty to 3 years.

Look out for this assurance of quality.

SMS **"MFP"** to **57575**
Call **1800 4254 999** (toll free, from MTNL/BSNL lines)
or **3030 4499** (from mobile, prefix your STD code)
Visit **www.hp.com/in/multifunction/bw**

*MRP. ^Select models only. Conditions apply. The product visual shown may vary from the actual product. © 2008 Hewlett-Packard Development Company, L.P.




# Anatomy Of Inflation

**by Ashok V. Desai**

**Inflation will go up, but only for a few more weeks, till early June**

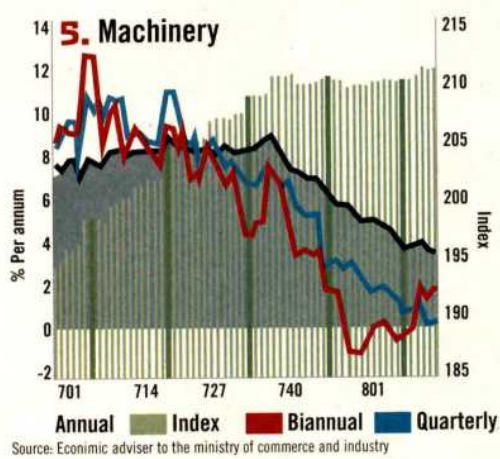
INFLATION IS A RISE IN PRICES. PRICES CAN RISE OR fall. In Japan they fell every year between 1999 and 2005. In industrial countries they seldom rise more than 3 per cent in a year. But the Indian government manages the economy in such a way as to ensure persistent inflation. If it is under 5 per cent, no one takes notice of it. So in this country we talk only of inflation.

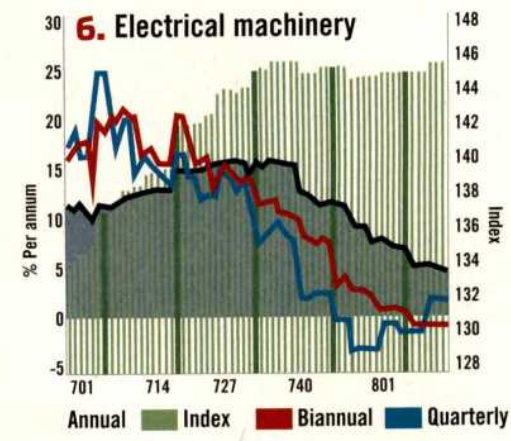
A rise in prices must be between two dates. Conventionally the two dates are taken a year apart; inflation is taken to be the annual rise in prices. In India it is taken to mean the rise over the past year in the wholesale price index. This inflation was 3.8 per cent in December; by the third week of March it had risen to 7 per cent.

A rise in prices reduces the purchasing power of our incomes; we can buy less of goods and services if prices go up. So inflation makes people poorer. They get worried about their finances. And their worry is shared by the government, which depends on their votes.

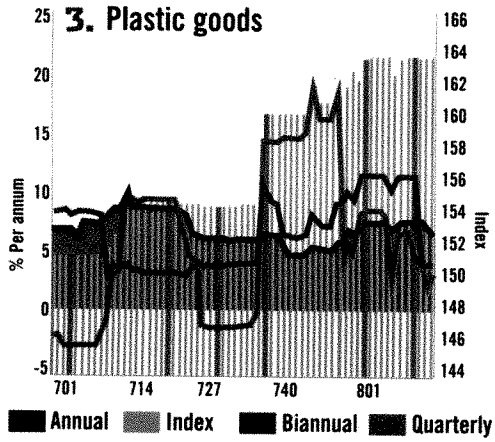
Our government took some measures to dampen inflation in the first week of April; for instance, it banned export of non-basmati rice (it does not allow export of wheat anyway). These were only the latest in a long series of measures to keep inflation down. For instance, the government has kept the prices of foodgrains it sells in its public distribution programme far below market prices (which makes it very profitable to obtain them from the programme and sell them in the market - or smuggle them into Bangladesh). It has also not allowed the oil companies it owns to raise the prices of their products as the import price of crude oil from which they are made has risen. Despite these active policies, inflation has suddenly shot up. People wonder why, and how much further it will go up.

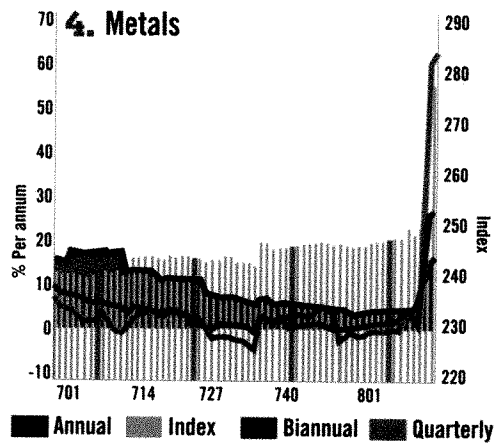
To calculate the wholesale price index, price indexes of a large number of commodities are multiplied by weights that are kept unchanged




Source: Econimic adviser to the ministry of commerce and industry



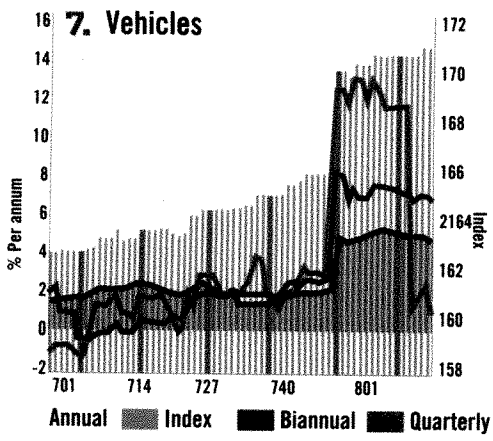

for many years, and the weighted indexes are added up. The picture of a rising index may suggest that all prices are moving together. But they never do; inflation is just the average of very different tendencies in the prices of different products. I shall show what has been happening to the prices of the various group of commodities. To do this, I have calculated inflation over shorter periods than a year - over six months and three months - and then raised the resulting figures to the power of 2 and 4 respectively to get the implied annual rates of inflation. These rates calculated over shorter periods than a year tell us what has been the rate of inflation in more recent months; they give us an advance indication of how inflation will behave in the coming weeks. I use figures for 52 weeks of 2007 and 12 weeks of 2008.

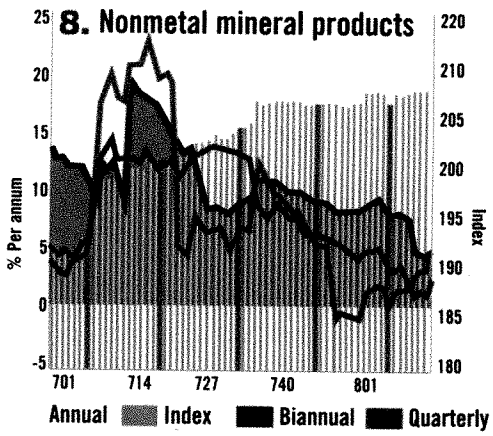
**1. Energy:** The energy price index was actually lower than in the previous year till October 2007. Then oil prices started rising. At the end of March 2008, annual inflation in energy was 6.7 per cent. But looking at the rise in oil prices that has already taken place, it is likely that oil price inflation will rise further - to 10 per cent and more.

**2. Chemicals:** Most chemicals are nowadays made out of petroleum feedstocks and hence are affected by trends in oil prices. But recent trends in prices of chemicals show little correlation with oil prices. There was a sharp peak in inflation in chemicals between March and May 2007. Then it came down rapidly. That rise last year will bring down annual inflation between March and May this year, possibly to zero. But after the base effect passes, inflation will go up again the second half of 2008. The trend rate of inflation is close to 7 per cent.

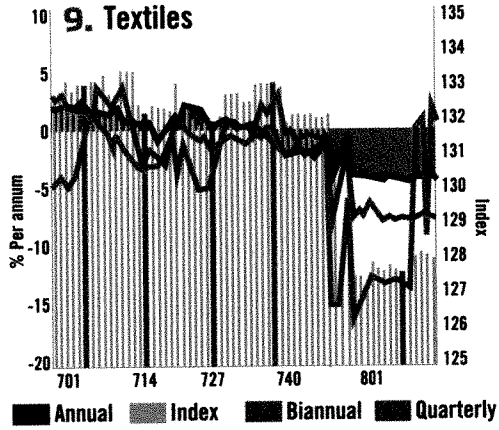
**3. Plastic goods:** The prices of plastic goods rose sharply twice last year - in March and in September. This industry is full of small manufacturers, who cannot combine and raise prices. More probably, bulk manufacturers of plastic raw materials raised prices, which the product manufacturers had to pass on. That can happen again; but in its absence, the trend rate of inflation in this industry is low - maybe 2-3 per cent.

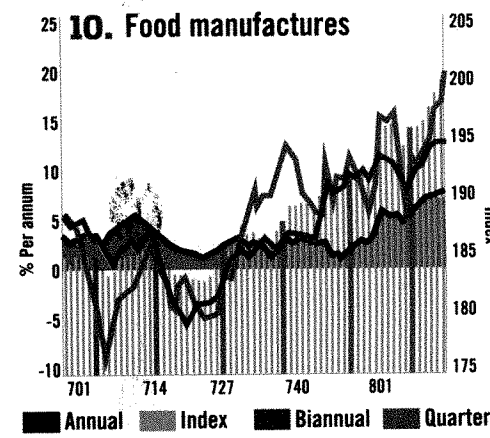
**4. Metals:** Metal prices were rising at a relatively benign 2-3 per cent till January 2008;

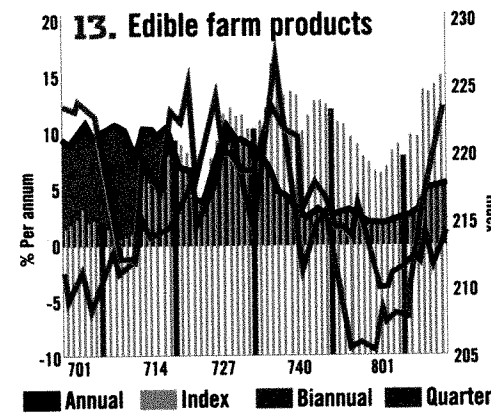


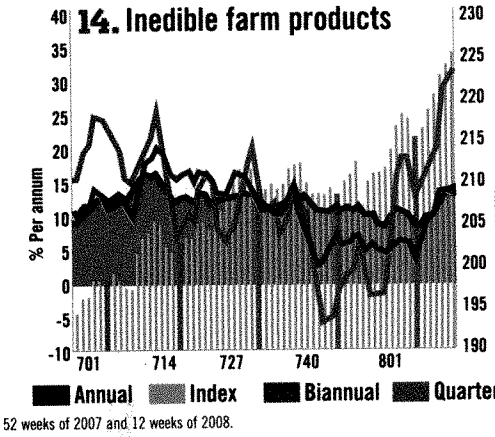




**Inflation in energy prices is likely to go up further – to 10%**




Source: Econimic adviser to the ministry of commerce and industry. The figures refer to 52 weeks of 2007 and 12 weeks of 2008.

then the rise started accelerating until it reached 15.8 per cent by the end of March. The crucial metal whose prices are shooting up is steel; its shortage is reported to have been caused by a rise in Chinese imports.

**5. Machinery:** Machinery prices may be expected to move with the prices of metals from which it is made, but in fact they behaved very differently. In the first half of 2007, machinery prices were rising at 8-10 per cent a year. Then inflation came down rapidly to below zero. In the first quarter of 2008, machinery prices were barely rising. As the economy headed into a slowdown, new orders for machinery fell rapidly in the second half of 2007. This industry continues to be in a slump.

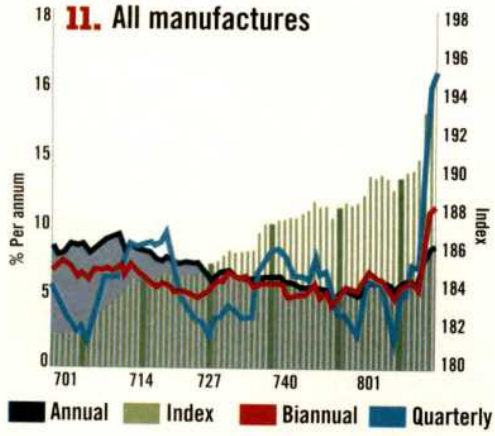
**Machinery is in a slump, and its prices are likely to decline**

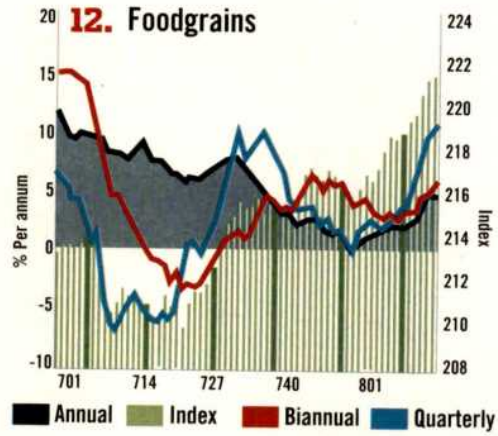
**6. Electrical machinery:** Electrical equipment also went into a slump like machinery, but a sharper one. In February 2007, prices of electrical equipment were rising at 25 per cent annually. Then inflation began to come down; by early 2008, prices were in decline. This industry shares the fate of machinery; in neither is inflation likely to be significant while the slump lasts.

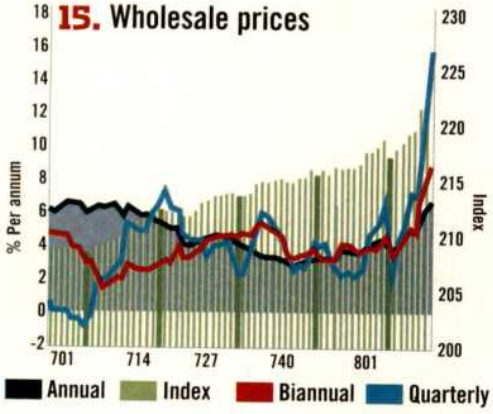
**7. Vehicles:** Vehicle industries are also in decline; but their prices have behaved very differently. Beginning with two-wheelers in the second quarter of 2007, all vehicle industries have experienced a slowdown. But their price index shows a spike in November; presumably, manufacturers tried to raise margins to offset the fall in sales. But if we abstract from this single event, inflation in this industry is low - not more than 3-4 per cent.

**8. Nonmetallic mineral products:** The non-metallic mineral industry is dominated by cement. Cement manufacture is concentrated, and concerted price increases are not uncommon. There was a spike in March 2007, and another in July. But growth in construction has been coming down, and the government is also sensitive to price increases in cement because it buys considerable quantities for its own construction. So currently, inflation is not much above 3 per cent.

**9. Textiles:** This industry is full of small firms; it is also dependent on exports. It was hit hard by the appreciation of the Rupee in March 2007. Then the Reserve Bank's restrictions on




**We should see a turning point in inflation in another two months**

bank credit also began to hurt the industry. Manufacturers in financial straits began distress selling. Prices began to crumble. Then in November they fell sharply. That collapse will keep inflation negative in the next few months.

**10. Food manufactures:** Sugar production in 2006-07 was enormous; so prices of food products began to fall early in 2007. Then sugar mills petitioned the food minister, and he baled them out. Since then, prices have been hardening; by March 2008, inflation in food products was running at 8.5 per cent. There is every indication that it will rise further.

**11. Manufactures:** The trend in manufacturing prices is dominated by the sharp uptrends in oil, metals and food products. Manufacturing inflation in March was 6.3 per cent, but it will go up further - certainly to 8 per cent, possibly over 10 per cent.

**12. Foodgrains:** Contrary to widespread impression, foodgrains prices are not showing a strong upward trend. Foodgrains prices, like all agricultural prices, show a biannual cycle because of summer and winter harvests. Inflation at the end of March was 5 per cent. But that was in the lean season. Inflation may go up for a while, but it will come down towards June as the winter harvest comes into the market. So we may see a sharp peak in foodgrains prices in the next two months; but there is no long-term upward trend - no stronger at any rate than is normal.

**13. Edible farm products:** Agriculture produces many foods besides foodgrains. If we take all food products together, including foodgrains, vegetables and fruit, the upward trend in prices is somewhat stronger. March-end inflation was 5.6 per cent, and it may be going towards 10 per cent. But here too, the trend cannot last. Unless the winter harvest is disastrous, agricultural inflation must come down.

**14. Inedible farm products:** Agriculture also produces goods other than food. These are showing a sharper upward trend than food products. Inflation in March was 12.6 per cent, and was on the way up, to 15 per cent and beyond. Cotton, which is the major nonfood crop, is partly responsible.

**15. Wholesale prices:** Looking at all the components together, there are many industries which show no sign of accelerating inflation. The engineering, capital goods and transport equipment industries show a declining trend. But agriculture, agriculture-based industries, steel and oil show accelerating inflation, and their influence has dominated in recent weeks. Of these, prices of steel and oil could continue to rise. But the trend in agriculture must break when the winter harvest comes in - within the next two months. So there is no case for projecting the rising inflation into the future.

*ashok.desai@gmail.com*

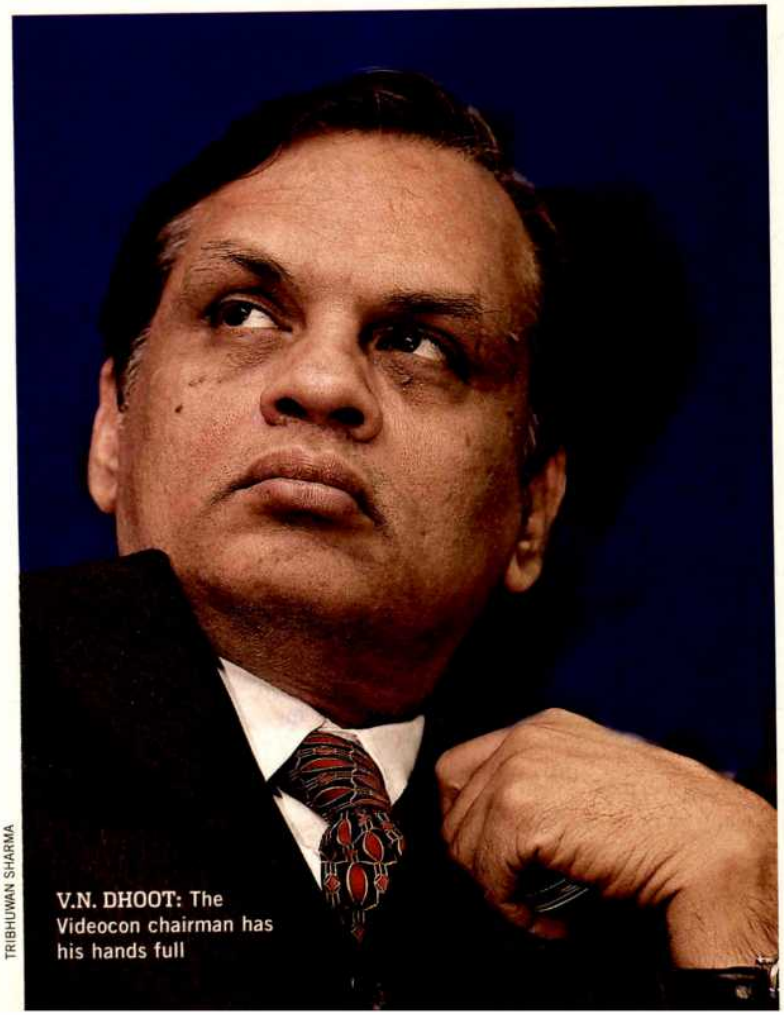
# Homeward Bound

**by Piya Singh**

**Will Videocon be able pull off its diversified growth strategy?**

VENUGOPAL DHOOT, CHAIRMAN OF THE $2.74-BILLION Videocon Group, believes that doing business in China is as easy as drinking a cup of tea, and buying a company in Europe is as painless as acquiring a house. This philosophy may have led Dhoot to draw up a global road map for the country's last home-grown consumer electronics player of size.

Eighteen months ago, Videocon trained its sights on becoming one of the top five consumer electronic brands in the world. That would pit it against heavyweights such as the $52.87-billion Sony, the $63.4-billion Samsung and the $47.45-billion LG, which have scale, deep pockets, global distribution networks and huge R&D budgets. Videocon's plan was to buy distressed assets all over the world in a competitive industry plagued with technological obsolescence, and turn them around by making low-cost components in India and elsewhere. After acquiring Thomson's consumer electronics' plants in Italy, Poland, Mexico and China, he got Normandie, a European brand last year. Subsequently, however, its nearly year-long negotiations with Daewoo's electronics division to acquire the Korean brand for $700 million — that would have given it access to a global brand — fell apart. The group's attempts to buy a large Japanese brand suffered the same fate.



TRIBHUWAN SHARMA

**V.N. DHOOT:** The Videocon chairman has his hands full

Dhoot, however, is undeterred. He has recently made a play for Motorola's ailing handset business that has been reportedly valued at $3.8 billion or 1.4 times the group's present size. "We have expressed our desire to work with Motorola to create value for their handset business and can lend it momentum, because of our experience in emerging markets," says Dhoot.

While he refuses to acknowledge that there is a slowdown in the group's overseas plans, Videocon seems to be now focusing on chasing growth in its home market by entering several new businesses, such as telecom, power, DTH and retail. It seems unclear whether Videocon has deliberately shifted strategy to pursue the local markets more aggressively or whether it has a clear-cut strategy at all. The group will also continue to focus on consumer durables despite a chunk of its profits arising from its investments in oil (see 'Videocon's Identity Crisis', *BW*, 23 October 2006). Around 35 per cent of flagship Videocon Industries' profit before interest and tax comes from oil, despite this business contributing just 16 per cent to the company's turnover (see table 'Videocon Industries' on page 49). Commenting on the group's interest in setting up new businesses in India, Dhoot says, "We have always been inspired by the Indian consumer and the transition from a savings-led to a consumption-led society."

To kick-start these domestic plans, the group has floated four special purpose vehicles for these businesses, and is on the lookout for partners that will put money on the table, as well as those who can play a strategic role. "We are talking about an investment of Rs 25,000 crore in these four businesses over a five-year period," says Dhoot. "Our business model is strong, we have attractive value propositions in DTH, retail and power, and are in talks with several global leaders in these sectors." Indeed, media reports suggest that Videocon is talking to several global players, including AT&T for Data-

## BIG AMBITIONS

What the group is adding to its portfolio: Telecom, Power, DTH and Retail with investments of

| | |
|---|---|
| DTH | 1,000 crore |
| Retail | 1,000 crore |
| Telecom | 10,000 crore |
| Power | 12,500 crore |

## VIDEOCON INDUSTRIES LTD: OIL VS CONSUMER DURABLES

| Sales | In Rs crore | | Percentage of Sales | |
|---|---|---|---|---|
| | 2007-09 | 2006-09 | 2007-09 | 2006-09 |
| Crude oil and Natural Gas | 1,410.19 | 1,439.41 | 16.19 | 18.99 |
| Consumer Electronics | 7,300.07 | 6,140.92 | 83.81 | 81.01 |
| Total | 8,710.26 | 7,580.33 | 100 | 100 |

Source: Capitalline Plus

## OIL PROFITS

| Profit/Loss before interest & tax | In Rs crore | | Percentage of Sales | |
|---|---|---|---|---|
| | 2007-09 | 2006-09 | 2007-09 | 2006-09 |
| Crude oil and Natural Gas | 442.72 | 482.43 | 35.12 | 48.01 |
| Consumer Electronics | 817.79 | 522.37 | 64.88 | 51.99 |
| Total | 1,260.51 | 1004.8 | 100 | 100 |

Source: Capitalline Plus

com, which owns a pan-India telecom licence.

At present, the group is looking at raising debt and seeking equity from global partners for these new businesses. It will also depend on its internal accruals to meet its funding needs. "We will have internal accruals of over Rs 10,000 crore over the period of five years," says Dhoot. "Along with commitments from the foreign and Indian banks for debt as well as partnering global players for equity for some projects, we still have cash reserves and assets of over Rs 2,000 crore. So, we're more than comfortable as far as funding is concerned."

Videocon's profit before depreciation and tax stands at Rs 1,500 crore for the year ended 30 September 2007, and it has a cash balance and investments of nearly Rs 3,000 crore. So, the company can generate internal accruals of Rs 10,000 crore in five years, though it will face higher working capital needs and debt servicing. As expected, a large chunk of its cash accruals are expected from its investments in oil. "At current prices, oil would bring in revenues of around Rs 2,000 crore with more than Rs 700 crore of cash accruals annually," says Dhoot.

But using the oil business as a cash cow is predicated on oil prices staying as high as they are today. Should oil prices fall, will Dhoot be able to fund all his new ventures? In other words, can the group pull off this diversified strategy in India and overseas as well as make a dent in capital intensive and competitive businesses such as power and retail? "It may be too early to answer that question but as long as the group has oil, it's in a comfortable place financially," says an investment banker who does not wish to be named. "There are several challenges in exploring new areas of business, and the management bandwidth to implement their plans is likely to the group's biggest hurdle."

Dhoot is ensuring that oil remains a focus area. Besides the Ravva oilfields in Andhra Pradesh, where it has a 25 per cent participating interest, the group has a presence in Brazil, Oman and Australia where it works with JV partners. "I plan to get more aggressive in oil," says Dhoot though he does not divulge the group's current capacity in oil.

The Videocon management claims that most of the land has been acquired for its 5,000-MW power projects in Pipapav, Kolkata and Chhattisgarh. It has yet to find strategic partners for power, telecom, DTH and retail. It also has big plans for retail, which usually takes a while to generate profits. The NEXT chain which retails electronics and Planet M (the music and entertainment chain Videocon acquired from Bennett, Coleman & Co. in 2007 ) will total 2,500 stores in 200 Indian cities generating sales of Rs 8,000 crore in four years, expects Dhoot.

Besides setting up these new businesses from scratch, consumer durables — its mainstay, where the group claims it has a 30 per cent market share — will pose its own set of challenges. Most players operate on wafer thin margins and Korean brands, such as Samsung and LG, dominate the market. Global acquisitions to achieve scale have not been a cakewalk either for Videocon, as has been borne out by the group's attempts to buy Daewoo and a Japanese brand. The group's flagship Videocon Industries has seen its share price plummet from a 52-week high of Rs 827 on 31 December 2007 to Rs 320 on 7 April 2008, a fall of 61 per cent in a quarter. Though, of course, a part of it can be ascribed to the market meltdown.

Dhoot has a lot on his plate and he will soon have to start executing his plans to diversify. How he manages the transition from a consumer durables player to a group with interests in several different businesses will determine the future of Videocon. During this process, he would hope that getting into new businesses in India will turn out to be as easy as his experiences abroad. That will make his job easier.

*piya.singh@abp.in*

# Goodbye To The Dollar?

**by kenneth rogoff**

AS THE WORLD'S FINANCIAL LEADERS MEET IN Washington this month at the World Bank-International Monetary Fund annual meeting, perhaps they should be glad there is no clear alternative to the dollar as the global currency standard. If the euro were fully ready for prime time, we might well be seeing it's dollar exchange rate jump to over 2.00, and not just to 1.65 or 1.70, as it seems poised to do anyway. You can't treat your customers as badly as the United States has done lately if they can go elsewhere.

**However the current crisis ends, the long-term dollar trend is downward and the euro is a serious alternative**

Over the past six years, the value of the trade-weighted dollar has fallen by more than a quarter, as the US has continued to rack up historically unprecedented trade deficits. With a soft economy, a badly compromised financial system, and serious concerns about rising inflation, the long-term dollar trend is downward, however the current crisis ends. And it is not over.

The Federal Reserve's bailout of the financial system is unlikely to stand up unless banks find fresh capital, and lots of it. Sovereign wealth funds have the cash to rescue US banks. But they are unlikely to want to do so at this point, even if the US political system allowed it. Instead, as the credit crunch and housing price decline continue, an epic mortgage bailout appears increasingly likely, possibly costing US taxpayers $1 trillion or more. The problem is that after so many years of miserable returns on dollar assets, will global investors really be willing to absorb another trillion dollars in US debt at anything near current interest rates and exchange rates?

US debt hardly looks like a bargain right now, even without the sinking dollar. Far-flung military misadventures continue to stretch the country's fiscal resources, with costs potentially running into many trillions of dollars, according a recent study by Linda Bilmes (lecturer in public policy at the Kennedy School of Government at Harvard University) and Joseph Stiglitz (winner of the Nobel Memorial Prize for Economics in 2001).

Next year will almost certainly see a massive rise in US corporate defaults, even though many firms entered the recession with relatively strong balance sheets. State and municipal finances are in even worse shape. With tax revenues collapsing due to falling home prices and incomes, dozens of US municipalities could well go into receivership, as New York City did in the 1970's. US municipal bonds are already trading at huge risk premia, and the first big government default hasn't even hit yet.

Of course, if the dollar were to fall off its perch as the world's dominant currency, the euro would be the only serious alternative. Fortunately for the dollar, though, European banks remain balkanised, with a patchwork of national regulators seeking to promote their own champions, and the government euro-bond market lacks the depth and liquidity of the US Treasury Bill market. China's draconian capital controls and massive financial repression disqualify the Yuan from anchoring the global economic system.

Moreover, international investors can buy and sell real estate far more easily in the US than in most of Europe. And the absence of a Europe-wide fiscal policy creates significant uncertainty about how the European Central Bank (ECB) would finance itself if it suddenly faced large losses on junk bank debt after a big bailout.

But the euro does have growing strengths. At current market exchange rates, the European Union is now larger economically than the US. At the same time, the ECB has gained considerable credibility from its handling of the global credit crisis. Indeed, if the euro zone can persuade Great Britain to become a full-fledged member, thereby acquiring one of the world's two premier financial centers (London), the euro might really start to look like a viable alternative to the dollar.

In 1971, as the dollar collapsed towards the end of the post-World War II fixed exchange-rate system, US Treasury Secretary John Connally famously told his foreign counterparts that "the dollar is our currency, but your problem". And the dollar's exalted global status has survived ever since, despite many episodes of neglect and abuse.

World currency standards have enormous inertia. The British pound only forfeited its role to the US dollar after more than 50 years of industrial decline and two world wars. But it could happen a lot faster this time. As central bankers and finance ministers ponder how to intervene to prop up the dollar, they should also start thinking about what to do when the time comes to pull the plug.

---

The author is Professor of Economics and Public Policy at Harvard University. © Project Syndicate, 2008.

IBM

# TALKING
# EXPLORES HISTORY.
# DOING
# REWRITES IT.

IBM and National Geographic have teamed up on the Genographic Project – a five-year study that uses sophisticated computer analysis of DNA contributed by over 200,000 people to map how humankind has populated the globe – to uncover the genetic roots we all share. Start seeing the bigger picture at ibm.com/doing/in STOP TALKING **START DOING**

IBM, the IBM logo and ibm.com are registered trademarks or trademarks of International Business Machines Corporation in the United States and/or other countries. Other company, product and service names may be trademarks or service marks of others. ®. Copyright IBM Corporation 2008. All rights reserved.

# Indian Scene Different

**by Raghu Mohan**

REUTERS

**INDIAN BANKS**

| Co. Name | 5th March 2007 Market Capitalisation | 5th March 2007 TTM P/E Ratio | 4th March 2008 Market Capitalisation | 4th March 2008 TTM P/E Ratio |
|---|---|---|---|---|
| SBI | 12.47 | 12.79 | 25.35 | 15.99 |
| ICICI BANK | 18.85 | 24.52 | 21.24 | 22.17 |
| HDFC BANK | 7.53 | 28.39 | 11.45 | 31.31 |
| AXIS BANK | 3.18 | 21.22 | 6.39 | 27.74 |
| KOTAK MAH. BANK | 3.84 | 110.60 | 5.29 | 80.76 |

Market cap in $ billion

Source: Capitalline Plus and *BW* research

**Public sector banks are safe but co-op banks may not be**

INDIAN BANKS HAVE BEEN THE DARLING OF THE bourses for the past few years riding on the back of buoyant corporate performance, and a retail lending boom fuelled by low interest rates. But the tide is turning now. And when that happens, good guys sometimes end up carrying the can for others' mischief.

Bear Stearns, a casualty of the US subprime crisis, is a classic case. The US Federal Reserve (Fed) not only blessed a marriage with JP Morgan Chase, but also backed $30 billion worth of Bear assets, and swapped nearly $200 billion worth of its treasury bonds for illiquid mortgage-backed securities as a temporary measure. The Fed then did what is open only to commercial banks: allow investment banks to borrow at its discount window. The fear was that if the Fed just left it to market forces, the fiasco would lead to a larger meltdown.

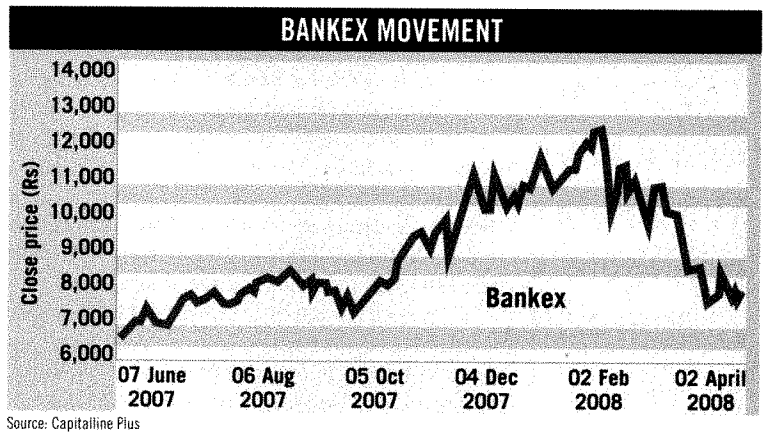
What about Indian banks? According to Reserve Bank of India (RBI), banks' exposure to sensitive sectors — capital markets, real estate and commodities — stood at Rs 4,03,533.97 crore at end-March 2007, up by 41.21 per cent over the preceding year, and accounted for 20.37 per cent of the total credit. Given the slump in all these areas, are banks safe? As economist S.S. Tarapore never tires of pointing out, bad loans are created in times of plenty. "Eighty per cent banking is in the hands of state-run banks," says Madan Sabnavis, NCDEX's chief economist. "They are tightly controlled and the absence of operational freedoms that banks enjoy in the US and Europe acts as a safety net given that there are strictly defined dos and don'ts". As RBI Deputy Governor V. Leeladhar said, "Since market control is not sufficient to ensure proper governance in banks, the government does see reason in regulating and controlling the nature of activities." Room for a Nick Leeson — who brought Barings down — in India is very little.

In July 2007, Moody's warned that retail loans have not yet been tested in a negative credit cycle; that certain banks may not have the systems for screening retail loans. "This could leave them in a difficult position if delinquency rates were to rise," it said. Now, comparing valuations is futile. The market cap of the State Bank of India is $12.47 billion while its P/E stands at 12.79 (see chart 'Indian Banks'). The numbers for Bank of America are at $165 billion and 11.96. "Bear Stearns was more a case of the market losing confidence and liquidity available to it drying out," says Fitch Ratings' senior director, Ananda Bhoumik. "Here, there will be one-off cases of a bad credit decision or two, but not a Bear Stearns." He is categorical, though, that dud loans in the unsecured personal loans basket will rise.

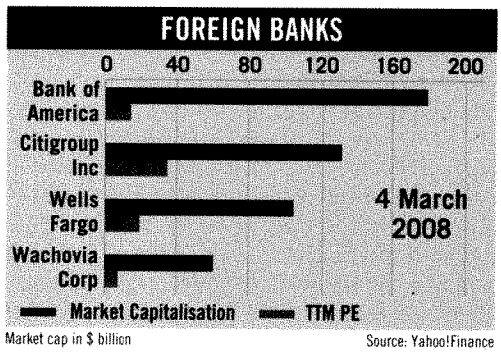
Banks have a special place. As Leeladhar summed it up, banking is unique and the interests of other stakeholders appear more important than in the case of non-banks. In the case of manufacturing entities, the issue has been that of safeguarding and maximising shareholder value. In banking, risks for depositors and the possibility of contagion assumes greater importance. Further, the involvement of government is higher in banks due to the importance of stability of the financial system and the larger in-

terests of the public. And that is why oversight is higher in the case of banks. Firstly, retail depositors cannot effectively protect themselves as they do not have adequate information, nor are they in a position to coordinate with each other. Secondly, bank assets are unusually opaque, and lack transparency as well as liquidity. This condition arises due to the fact that most bank loans, unlike other products and services, are usually customised and privately negotiated. And thirdly, it is believed that there could be a contagion effect resulting from the instability of one bank, which would affect a class of banks or even the entire system.

Yet, there have been instances of a few hiccups over the years. These include Global Trust Bank, which was merged with Oriental Bank of Commerce; and United Western Bank, which went into the belly of IDBI Bank. In the mid-1990s, Indian Bank had to be 'ring fenced' from inflicting further pain on itself.



Source: Capitaline Plus



Market cap in $ billion
Source: Yahoo!Finance

### The Soft Underbelly

Every financial system has a soft underbelly. Reports in the US media indicate that the focus will now be on the 8,000 or so smaller banks as the biggest, quoted entities among them begin to report results for the first quarter. These figures are expected to show sharply higher default rates along with deterioration in the value of commercial real estate they hold as collateral. As early as the final quarter of 2007, the Federal Deposit Insurance Corporation, which regulates and guarantees customers' savings, reported that the sector's total net income was at a 16-year low, and loan payment arrears had crept up to a five-year high. Matt Kelley, analyst at stockbrokers Sterne Agee in Maine, pointed out that investors will focus on which banks — and how many — might be at risk. "Investors will immediately go right to the balance sheet, to the capital ratios, to the write-downs; it's about capital and credit this quarter," he says, and predicts the pain will be worse among banks in areas where house prices have plunged and mortgage defaults are rising.

The Indian financial sector's soft spot is urban co-operative banks (UCBs). The Madhavpura Mercantile Co-operative Bank (MMCB) was abused by Big Bull, Ketan Parekh, who diverted funds amounting to several crores from Bank of India and Punjab National Bank to the stockmarkets. The Centre bailed it out with a Rs 1,264-crore package. RBI provisional data for 2006-07 shows that there were 1,813 UCBs with owned funds — capital plus reserves — of Rs 14,751 crore; and that these entities had outstanding loans of Rs 78,660 crore and deposits of Rs 1,20,983 crore. Scores of them are under liquidation. The leading centres where these UCBs are located: Ahmedabad (73), Hyderabad (47), Mumbai (34) and Bangalore (32). These include Rajkot Mercantile Co-operative Bank, Baroda Peoples Co-operative Bank, Robertsonpet Co-op Society, and even a Mother Teresa Urban Co-operative Bank! The balance sheets of these banks are opaque, and there could well be a Bear Stearns lurking among them. MMCB came close. Dual control has been a key issue as these have historically been under watch of RBI and the Registrar of Co-operatives. In March 2005, as part of a revival process, the RBI proposed that an MoU be signed between it and the state governments for developing the UCBs on sound lines.

The larger picture is that banks, at least the large listed banks, in India never have had a liquidity problem of the kind that a non-bank such as Bear Stearns faced. On the capital side, they are better off than ever before. They will see more interest as capital can now be raised without issuing fresh equity. The RBI has allowed banks to issue preference shares (hybrids) up to 40 per cent of their tier-1 capital, up from 15 per cent. This, as Morgan Stanley points out, will lead to a potential increase in banks' return on equity. A Bear Stearns among India's banks? Slim chance.

*raghu.mohan@abp.in*

# Designs Fit For A King

by Janhavi Abhyankar

**Tanishq's designers would have won Jodhaa and Akbar's approval**

AS THE EMPEROR AND HIS *BEGUM* WALK SIDE BY side in Ashutosh Gowarikar's celluloid epic *Jodhaa-Akbar*, pearls and precious stones whisper discreetly and the silver screen appears fairly gilded. Gowarikar's metaphorical gold mine was supplied by Tanishq, the Tata company, which, in the past decade, has persisted in a market traditionally dominated by family goldsmiths. Indeed, Tanishq credits its 40 per cent year-on-year growth to design innovation.

Four per cent (Rs 4,000 crore) of India's jewellery market is organised, says Anand Mour, an analyst at investment firm Prabhudas Lilladher. Within that, Tanishq, with a market share of more than 50 per cent, is the largest player in its sphere. What has worked in its favour is its strategy to position jewellery as an accessory rather than investment. "Tanishq pioneered the importance of intricate designing in jewellery in India," says Rajeshree Naik, head of marketing at DTC, De Beers' marketing wing. Tanishq now has 103 outlets in 61 cities. Of its total consumer base, 25-30 per cent comprises high networth individuals and non-resident Indians, some of them jewellery collectors. "This segment accounts for about 30 per cent of our total sales," says Alpana Parida, head of marketing and merchandising at Tanishq.

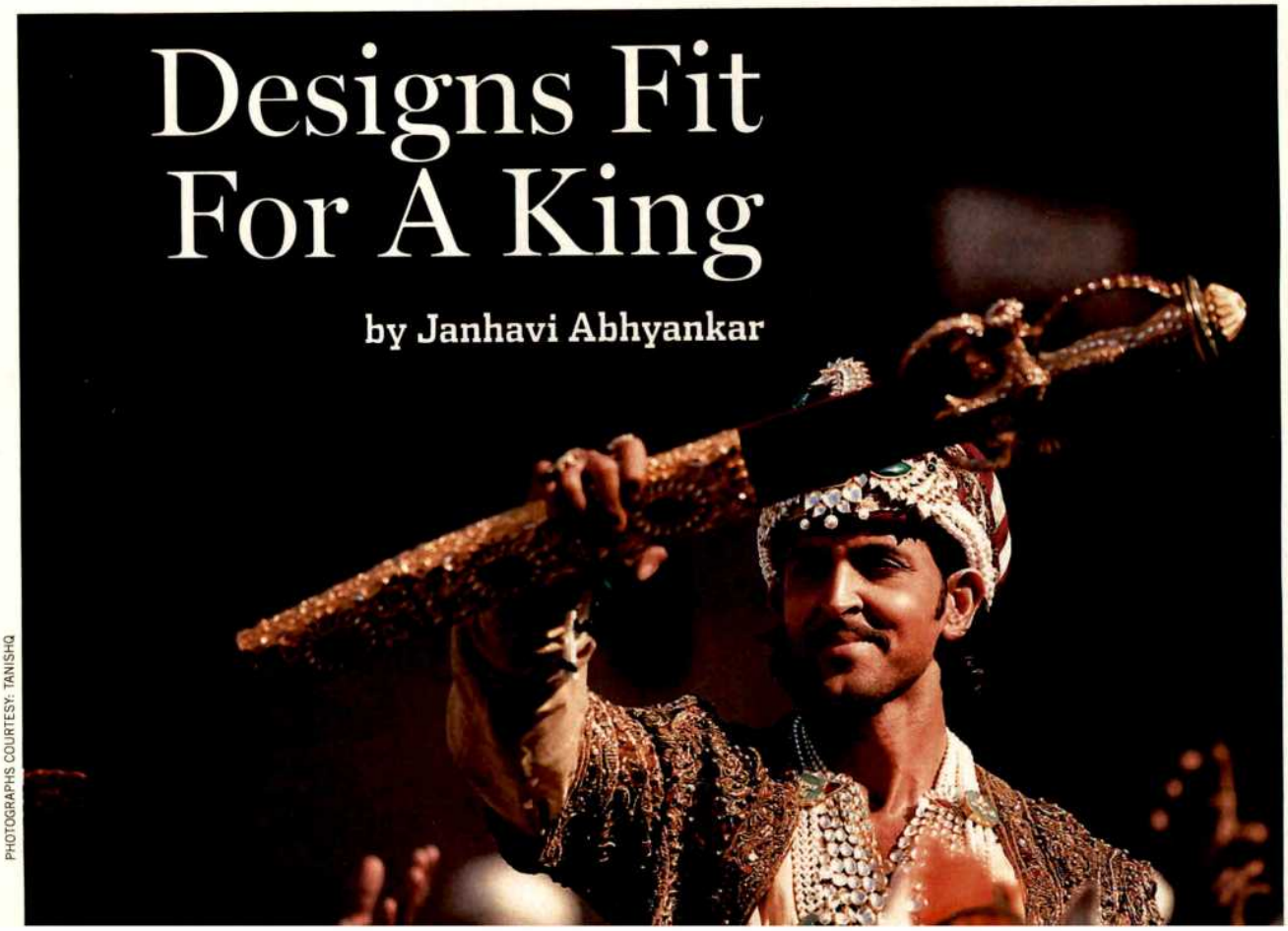
Apart from jewellery for you and me, Tanishq also takes on film projects, such as *Jodhaa-Akbar* and *Paheli*, and the Femina Miss India contest. "The kind of projects Tanishq works on, and the way they market them, is unique," says Naik. "Besides the exclusive designs that Tanishq manages to make, it is largely the branding that makes Tanishq more visible," Naik adds.

That is, thanks to a group of designers, with an average age of 25, who create the magic that has taken Tanishq to where it is today — crafting a sword fit for a Mughal emperor, among other things.

### The Remaking Of Akbar's Sword

Every one of Tanishq's 22 designers across the country was involved in creating the 400 jewellery pieces made for *Jodhaa-Akbar*. Jodhaa's wedding attire was complemented by 13 pieces that adorned her, including nearly forgotten masterpieces like the *pachladi* (a grand five-strand necklace). The prêt line, now on sale, is lighter than what was crafted for the film.

"Each piece was a different experience," says Garima Maheshwari, who heads the eight-member team at Tanishq's Bangalore bureau. None, however, matched Akbar's magnificent ceremonial sword. "It took us six months to fin-



**A CLASS APART:** Akbar's sword is 3.5 feet long, weighs 20 kg and is encrusted with 3,000 rubies and diamonds

PHOTOGRAPHS COURTESY: TANISHQ

ish the sword," says Sangeeta Deewan, head of the Tanishq design team and an accessories' design graduate from National Institute of Fashion Technology (NIFT) in New Delhi.

It was an exciting and complex project, made doubly challenging because no models of Akbar-era jewellery existed. Abandoning all other regular projects, the entire team, led by Deewan, travelled to the forts and palaces of Jaipur, often waking up early to study design texts and the *Akbarnama*, an account of Akbar's life written by Abul Fazl, one of Akbar's *Navaratnas* (nine jewels). They would spend the day with erstwhile royals and brainstorm in their hotel at night. Bangalore's Chitrakala Parishad (an art institution and cultural organisation aimed at promoting art and culture) was commissioned to provide the primary resource material on the Mughal era. The paintings at the city palace, Jaipur, and the forts at Agra and Amer helped provide visual clues to the attire of that period.

The team studied damascening, the art of decorating metal with inlaid threads of gold or silver, or producing a watered effect in forging, as seen in sword blades and gun barrels. Considering the multitude of 16th-century pictures and motifs, miniature paintings, references to the *Akbarnama* and other historical records, consensus took its time coming. On one occasion, teams were split to present views and counter-views. "Each of us understood the same painting differently and debates were an integral part of the process," says Maheshwari.

Several prototypes of the sword, in plaster of paris, clay, wood and thermocol were attempted and rejected. The Soni artisans of Rajasthan, traditional makers of jewellery and swords, were approached after the design team had a clear vision of what it wanted. One hundred and fifty *karigars* worked on the project; 11 of them shaped the magnificent sword. They were reluctant to manufacture for Tanishq, but star power won the day. "We had to tell them that Hrithik and Aishwarya were going to use their creations, and then one could see their enthusiasm," says Maheshwari.

At 2:30 a.m. in the month of December in 2006, after six long months of gruelling days and sleepless nights, the team gave the finishing touches to Akbar's new sword.

Gowarikar was thrilled when presented with the sword. "You have created history!" he said to the group of content, but extremely tired, designers. The sword, which is now touring India with the rest of the jewellery collection, is 3.5 feet long and weighs 20 kg. It is encrusted with more than 3,000 rubies and diamonds. Some collectors have evinced interest in acquiring it, but Tanishq isn't selling, yet. "The decision to auction the sword will be taken collectively. But as a designer, I would want it to be promoted rather than auctioned," says Deewan.

## A Day In Their Life

Tanishq, which makes machine-cut as well as handcrafted jewellery, owes its success to its team of enthusiastic designers working to a professional work ethic. "We have an annual calendar with deadlines discussed in consultation with the company," says Deewan. Her earlier stint, with Delhi-based Punjab Jewellers, gave her experience in working with gold, precious and semi-precious stones, glass and even wood, which Deewan believes helps her ideate and think out of the box.

Not all designers find their destination quite as easily. Take Anjalee Lal, who heads Tanishq's Delhi design bureau and specialises in traditional Rajasthani *kundan* (24 carat gold)-*polki* (semi-finished diamonds) style. Lal initially gave in to family pressure, working as a dietician in a Delhi hospital. But she found her calling in NIFT's jewellery design course, launched in 1994. Her earrings collection features chandelier and stiletto designs inspired by conventional *jhumkas* and *karnaphools*.

The designers engage in several activities to simulate their creative juices. For example, they travel to exhibitions and fairs at least once a year. "Foreign exposure brings in a lot of accommodative colour to your personality," observes Deewan, who did her internship at the French jewellery store Van Cleef & Arpels, where she crafted a necklace for the King of Morocco. "This makes designs unforgettable, elevating them beyond mere greatness." Designers also compete for awards. "Competitions bring a lot of confidence to us as artists," says Maheshwari.

Not everyone is enamoured by Tanishq, though. One of them is Delhi-based fashion and jewellery designer Anjalee Kapur. "They cater to the mass, which speaks for their fame, but they definitely don't make a fashion statement," she says. Kapur, however, agrees that Tanishq's design studios add sparkle to the brand.

"Only a highly motivated team can achieve the creative standards that make Tanishq," says Parida. Jodhaa and Akbar would agree.

*janhavi.abhyankar@abp.in*

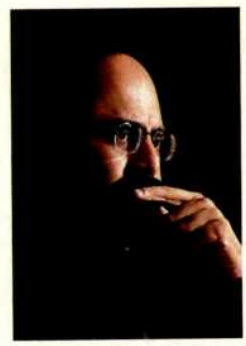
**GOLDFINGER:** Jodhaa's wedding attire was complemented by 13 pieces of jewellery that adorned her from head to toe

# How We Can Regulate Well

**by rajeev chandrasekhar**

I RECEIVED A NUMBER OF E-MAILS ON THE ISsues I wrote about last time on regulatory capacity building and oversight. Some of them asked me what it means to have regulatory capacity and some were curious to know who could be considered good regulators.

It's quite simple, really! Regulators and/or bureaucrats need to have knowledge and integrity. They must be able and honest. Regulatory and bureaucratic oversight by the civil society, the media and the Parliament will serve the purpose of ensuring they remain honest.



**We need to invest more in our regulators with a clear objective to increase their capacity**

It's not like there haven't been good regulators who stood up to and could take on vested interests and still do the job of regulating. Ramakrishna and Damodaran at SEBI, and Justice Sodhi and Zutshi at TRAI are examples I can think of. Messrs Justice Sodhi and Zutshi, who were the Chairman and Vice Chairman of TRAI in those crucial formative years of the telecom sector, did what no telecom regulator has done since — they covered themselves in glory by introducing a high-quality and well thought-through regime of regulation and competition. They were regulators who had the unenviable task of creating competition and space for private capital — in an area where there was an entrenched monopoly and with its usual cast of characters of bureaucrats and insecure officials, who saw ghosts and other paranormal beings when the words competition and consumer benefit were mentioned. Like with a lot of government servants, they have neither been recognised nor feted. This is the mistake we make — of not recognising excellence when it is there and, hence, not incentivising similar conduct from others. But, this small group is the exception rather than the norm and the challenge is to make this the norm.

One of the main issues of regulatory bodies has been the over dependence on retired bureaucrats and judges. The argument that's put forth is that no one else will come forward for the paltry salaries. Given the current context, there may be some merit in that argument. However, with the Pay Commission report having recommended some upward compensation for our bureaucracy and government servants, this is one issue that we should revisit. I, for one, am in favour of the principle of revising government compensation to bring it in line with the trends. For example, how can we expect our beat policeman to be honest and public-service oriented when he sees the world he is policing living a standard of life so out of his league? How can one expect a bureaucrat to be honest if you pay him nothing compared to the industries and spends he oversees? In the same vein, how can we get a regulator with the intellect and integrity to regulate multi-billion dollar industries if we don't pay him adequately? Why is it difficult for us to bring better talent from outside the system into our bureaucratic and regulatory system? Economic regulation of the type we require needs us to have resources which are specialised and capable. Recognising the importance and role of regulators, the Pay Commission also recommends a higher scale for regulators. This is an idea in the right direction but doesn't go far enough.

The inability of us as a nation even today to evolve a reasonably transparent policy towards issues like spectrum allocation, depletion of mineral resources and in a lot of cases having these issues hijacked between two competing corporate groups rather than have the policy discussed and finalised keeping the larger national interest in mind is proof of lack of adequate regulatory capacity.

The argument against paying the bureaucracy more, *"We aren't getting anything anyway, so why should we pay them more?"*, is flawed. We need to invest more in our bureaucracy and regulators with a clear objective to increase their capacity and in their oversight. We have to do this in mission mode and the compensation increase is but one element of the whole package. I was watching one of those TV debates on this subject where the anchor usually ends up talking a lot more than the guests. In one of those moments where the anchor had paused to take a breath and one of the guests who happened to be a government officer could speak, the lady government officer made an interesting admission of sorts. In response to a general accusation of the bureaucracy not being transparent and honest, she said there are provisions and processes to make the bureaucrat more accountable but it is up to the civil society to use them.

The author is a Member of Parliament.
*rajeev.c@nic.in*

# DOWNLOAD UNLIMITED

## WITH BSNL'S BROADBAND SERVICES

| Particulars | | Home UL 750 PLUS | | Home UL 1350 PLUS | |
|---|---|---|---|---|---|
| Bandwidth | | 256 Kbps | | 512 Kbps | |
| Monthly Charges (Rs.) | | 750 | | 1350 | |
| Download/Upload Limit (GB) per month | | Unlimited | | Unlimited | |
| Monthly Rental* | Call rate* | Zero | Re. 1/unit | Zero | 80 p/unit |

★ Blog Unlimited
★ Browsing Unlimited
★ Chat Unlimited

BSNL
Connecting India

**Notes:** *Also available as per the existing plan of customer.
Speed may vary.

For more details log on to: www.bsnl.in or **Call (Toll Free): 1800 424 1600**

MEMORY

# Enter The Next Phase

**The all-new phase change memory will hit the market by the year-end**

IMAGING: NEERAJ TIWARI

**FUTURE OF MEMORY:** Flash, the most widely used variety, is close to being phased out

SOME OF THE MOST PROFOUND CHANGES IN TECHnology happen in the background, away from public view. If the changes are not profound, and merely important, the public rarely notices them. They would notice the drop in prices, the improved friendliness of devices, new features and so on, without quite knowing or caring to know the reasons. In the marketplace, however, the new technology may have caused an upheaval, shutting down dozens of companies and generating several new ones.

Flash is the most widely-used 'non-volatile' memory technology — whose contents remain intact even when the device is switched off — in the electronic world. It is used in thumb drives, laptops, mobile phones, PDAs, digital audio players and digital cameras. Despite its great past, present and immediate future, flash memory is a technology that is ultimately doomed, the final nail expected in a matter of five years. It could still be used in several devices, but its development would have hit a brick wall.

Among the replacements for flash on the horizon is one that will hit the market by the end of the year. It is called phase change memory. Phase change memory scales well, which means that we can continue packing more and more memory cells in a small volume. It is supposed to consume less power. It can write data without having to first erase what is present in the cell, which makes it around 30 times faster than conventional flash. It is also durable; memory manufacturers say that it lasts 10 times longer than flash. Some of the giants of the chip world such as Samsung, Intel and ST Microelectronics are developing phase change memory, which is expected to replace flash completely over the next 5-10 years.

Early last week, Intel and ST Microelectronics transferred and joined their memory-related businesses, and formed a company to develop, manufacture and sell memory devices. Called Numonyx (pronounced as would the plural of the word pneumonic, probably a deliberate coincidence), this $3-billion company announced that it would focus on developing phase change

memory technology. Numonyx expects phase change memory not just as a replacement for simple flash products like in thumb drives and mobile phones, but even for solid state drives in PCs in another 6-7 years. To understand what this means, let us consider flash and phase change memory technologies in detail.

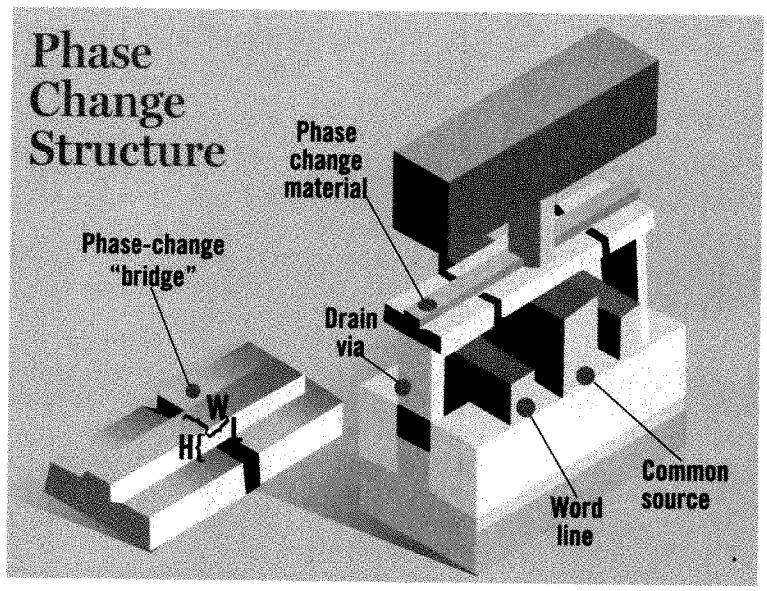
At the core of a flash memory device is the so-called floating gate. It is called so because the gate is isolated electrically and thus 'floats'. Electrons can be trapped inside a floating gate, and they do not escape even when the external power is switched off. This property provides a means of long term storage. A flash memory device has an array of memory cells with floating gates. A floating gate full of electrons is considered in one state (1, for example), and an empty gate is considered in another state (0, for example). A full and an empty gate together store one bit of information. It is simple as well as convenient.

The floating gate was invented in the 1960s. It formed the basis of several kinds of flash memory technologies developed since then. The 1970s saw the development of EPROM and EEPROM, with the ability to store kilobytes. In the end-1980s came a technology called NOR. In the early 1990s came another flash technology called NAND, and it gave us megabyte storage capacities for the first time.

However, all flash technologies had a fundamental limitation. As the gates become smaller and smaller, the number of electrons that they could trap also begins to reduce correspondingly. There will be a time when we would not know whether the electrons are trapped inside or not. Engineers know in their bones that the game would end one day, but they do not know precisely when. Some time ago, they thought that it would all be over at 90 nanometres (a nanometre is one-billionth of a metre). Three years ago, Intel announced that the limit would be 65 nanometres, but the chip-maker later developed a new method that could take flash beyond 65 nanometres. There it stands today.

Phase change memory does not deal with electrons at all. It depends on switching a material back and forth between two states: the amorphous and crystalline. The material is called chalcogenide. The important fact is that memory storage does not depend on electrons trapped inside. It is not a new technology.

Phase change memory is known by several names. Intel and ST Micro call it PCM, an acronym for phase change memory. The original inventor of the technology, a company called Ovonics, calls it Ovonic Unified Memory or OUM. A few other companies call it PRAM, as an acronym for Phase Change RAM.




**HOW IT WORKS:** A diagram depicting the make-up of a phase change memory chip

Phase change memory is 'bit alterable' and 'non-volatile'. In plain English, these mean that you can rewrite the memory, and that the information does not disappear when powered off. It scales very well, which means that engineers can make them very small, much smaller than flash would ever allow. "Higher densities would quickly translate to lower costs," says Cliff Smith, PCM manager at Numonyx. It is not lightning quick in terms of accessibility, but quick enough for most applications. It wears off with each write and rewrite, but experts feel that it can last longer than flash.

For the consumer, the first noticeable change would be in price reductions of devices, first in phones now dominated by NOR. "Consumers will notice price drops in devices without quite knowing why," says Jim Handy, an analyst at Objective Analysis, a semiconductor market research company in San Francisco. Similarly, consumers will notice that their battery lasts longer, again without quite knowing — or needing to know — why. Phase change memory will then, probably in a few years, attack the NAND market, in flash cards for cameras, MP3 players and USB drives. Finally, sometime in the next decade, it will hit at solid state drives in PCs. "My aim is to get it into the laptop," says Smith.

Whether consumers know these changes or not, the $20-billion memory industry might go through a few convulsions. Companies that have businesses depending on flash memory may have to change plans in the near future.

P. Hari in San Francisco
*p.hari@abp.in*

# Tech Talk

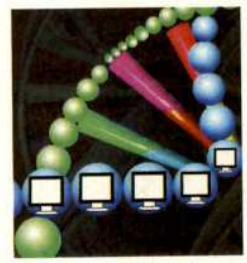
## SCIENCE BUZZ The fortnightly update on innovations and tech policies

### Chemical Key

It's a significant milestone towards developing the ultimate computer. In their quest to build a 'biomolecular computer' — one made of DNA and enzymes (not transistors, silicon chips and plastic), and dependent on chemical reactions to perform logic functions — researchers at Clarkson University in New York claim to have cracked at least one vital component, a chemical keypad lock. Such a security system would help encrypt financial, military and other confidential information. Lock-breaking types can start thinking over that one.

### Braille To Be Passe

The visually impaired could soon be using pens to write. University of Glasgow trained a handful of partially and completely blind students to write using Phantom Omni — a stylus mounted on a motorised arm — and some audio cues. The stylus — which uses force feedback, a mechanism used in virtual car racing games where the steering wheel lets the gamer feel the road by resisting a turn or slipping out of control — moves according to how letters are written, giving the students a sense of using a pen.

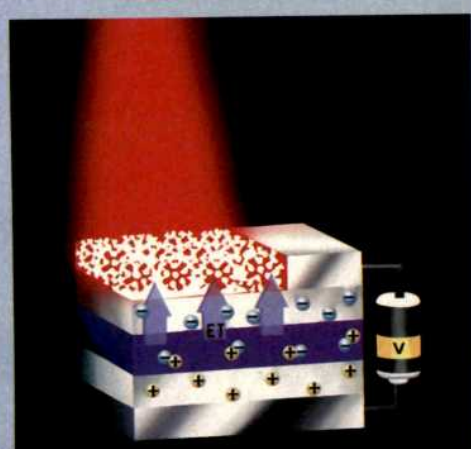


### Riding Space Rocks

Here's another boost for those who believe life came to Earth from outer space. Professor Ronald Breslow of Columbia University says that meteorites that have crashed on the Earth show up left-handed chirals of amino acids — the raw ingredient for protein that forms the basis of life — on their surfaces, indicating that life came to Earth on a meteorite. Amino acid chirals — molecular orientations — are either left or right. For life to arise, proteins must contain only one form. Meteorites contain both, but lose one when they pass by stars, which have polarised light. Wonder which star we have to thank for life on the Earth?

## HOW THINGS WILL WORK

# The Future Of Solar Cells




WIRE FREE This wireless device produces light through energy transfer from thin layers of quantum wells to crystals

EVERYBODY KNOWS THAT SOLAR ENERGY is the indisputable future energy source. Technology and costs, although improving rapidly every year, have not improved enough to make it the No. 1 energy source for the world. However, there are a few new approaches being tried in some labs. And they promise to make solar energy compete with electricity from fossil fuels. One of the most promising is quantum dots.

Quantum dots are tiny crystals of semiconductors. They are just a few nanometres across, one nanometre being one billionth of a metre. They have been touted as having the potential to revolutionise fields such as medicine, lighting, lasers and solar cells. Quantum dot solar cells are also known as nanocrystal solar cells. In the past few years, they have emerged — theoretically and in the lab — as a superior alternative to the photovoltaic cell.

The traditional photovoltaic cell releases one electron per light particle — photon — that falls on it. This is one of the reasons for its low efficiency. A quantum dot, however, can emit more than one electron per photon. In 2004, Victor Klimov, a scientist at the Los Alamos National Laboratory in the US, showed that they can emit seven electrons per photon.

The maximum efficiency of a quantum dot solar cell is 42 per cent, which compares favourably with the maximum efficiency of 31 per cent of the photovoltaic solar cell. In fact, considering quantum dots are not expensive to make, it is enough for solar cells to compete with coal as a power source. That could happen in 5-10 years, if they are made in large numbers.

*P. Hari in San Francisco*

# What is more valuable than your wealth? The knowledge that it is secure.

everest/WRITER/259-08

eliability and the guarantee of security e the biggest factors when it comes to ealing with wealth. They are also the asons that leading banks and financial stitutions depend on us when it comes to TM & cash management services.

e have highly trained cash management ams to ensure that national ATM networks e stocked with cash and fully operational, 4 x 7 x 365. These teams not only meet e most stringent security norms but are so backed by a nationwide network of ults, cash-processing centers and a fleet of secure vehicles that conforms to best-in-class safety standards.

Furthermore, our network currency management services guarantee seamless cash flow between you and your retailers and business associates. Talk to us, we'll even stretch our imagination for your peace of mind.

CALL TOLL FREE 1800 209 1122

www.writercorporation.com

WRITER
SAFEGUARD

locations | Information Management

SILK

# King's Shower

**Experiment in Assam helps worms produce more of better quality silk**

A LOWLY BATH LACED with friendly bugs may aid the king of silk — the Brahmaputra Valley's muga silk — in its pursuit to conquer the world. In a recent experiment, a team of researchers from two national institutes in Jorhat in Assam sprinkled nutrient- and mineral-rich water containing growth-boosting rhizobacteria on plants that muga silkworms — *aantheraea asameisis* — feed on before they start spinning their cocoons. Result: the worms produced more silk fibre of better quality, thanks to the rhizobacteria, which helped the plants draw extra nutrients.

That's a shot in the arm for the world's most expensive silk — one metre of the amber-coloured fibre fetches Rs 1,000 to Rs 5,000 in the international market — which has of late been bugged by diseases. As a result, though there is huge international demand for good quality muga silk, its production in the past few years has been on the decline. A host of factors including low fecundity, increased attacks by pests and parasites, and drop in availability of muga food plants are to blame, explains Balagopalan Unni, a senior scientist at the North-East Institute of Science and Technology (NEIST) in Jorhat, and the lead author of the paper published in the 25 March 2008 issue of *Current Science* journal.

"It (the spraying) may look like a very simple solution, but it's highly effective," says Unni. The spraying resulted in increase in shell weight of the cocoons, leading to at least a 10 per cent increase in the quantity of silk fibre. Unni's NEIST, along with the Central Muga Eri Research and Training Institute (CMERTI), Jorhat, developed the rhizobacteria spray.

Despite its huge international appeal, the muga silk industry, which is worth less than Rs 50 crore, still remains a cottage industry. This is because unlike mulberry silkworms, which account for nearly 90 per cent of silk produced globally, muga silkworms are a semi-domesticated variety. Most families involved in rearing them are poor tribal families. "Hence, unless one finds low-cost solutions to problems encountered in muga silk production, it is not going to work," says Unni.

Scientists are turning to genetic tools as well. CMERTI, Centre for DNA Fingerprinting, Hyderabad, and Jawaharlal Nehru University in New Delhi are teaming up to find a transgenic route to increase muga silk production. "We have already identified several muga silkworm varieties that have uniquely positive traits," says Rajen Chakravorty, director of CMERTI.

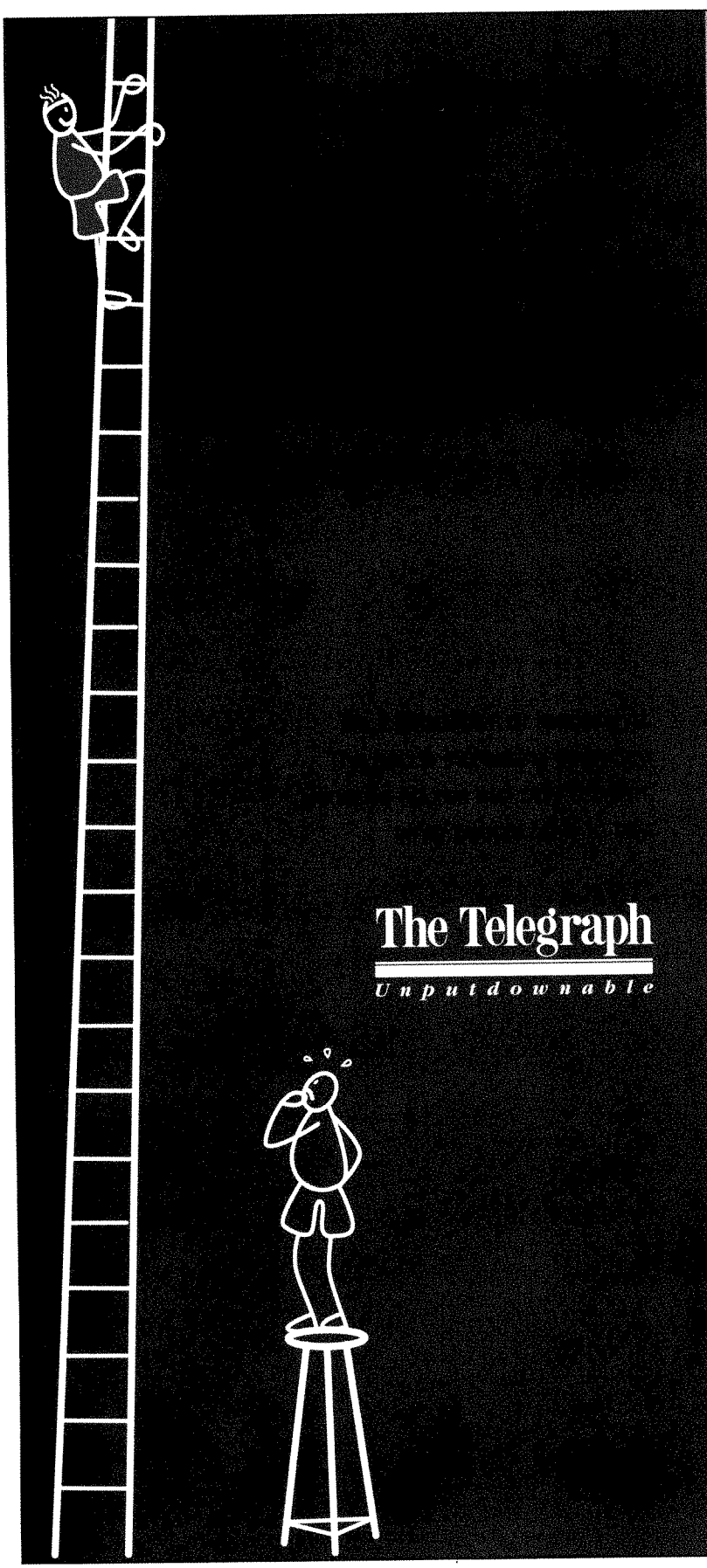
There have been isolated efforts from local innovators, too, to improve muga silk. Dulal Choudhury, a mechanical engineer in Guwahati whose family has been in the muga silk trade for generations, received a patent in 2006 for his innovative method of preparing soft muga silk fabric. The process adds softness to the fabric and makes it more resilient and, therefore, applicable for use in more than just apparel. For instance, Choudhury has designed an umbrella that exploits muga silk's property to absorb ultraviolet rays up to 80 per cent. He has already sold 5,000 premium quality umbrellas at Rs 750-1,000 — about 60 per cent of them overseas. Hopefully, for India's golden silk thread, the tidings will only get better.

*T.V. Jayan*

ABP

SMOOTH AS YOU LIKE: A muga silkworm (left) and the silk variety being put to use (right)

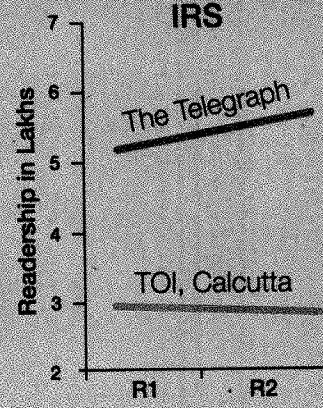
No matter where you move,
we'll help you feel at home.
ur relocation services are based on one
nple truth – there's no feeling like feeling
home. That's why we start with finding
e right home in the right location. Help
u with immigration processing and take
e hassle out of the paperwork. Manage
ancy procedures throughout your stay.
sist you with phone connections, bank
counts and other utilities. Help you
come familiar with the city, culture,
local language, etiquette and the norms at your new workplace. And if you move to a new location for another assignment, we'll even arrange for your mail to be forwarded to your new address. So while you may be new to a place, we'll ensure that you never feel like a stranger.
CALL TOLL FREE 1800 209 1122
www.writercorporation.com
WRITER
RELOCATIONS
everest/WRITER/257-08
locations
Information Management

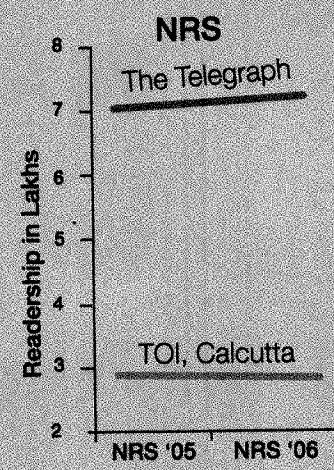


The Telegraph

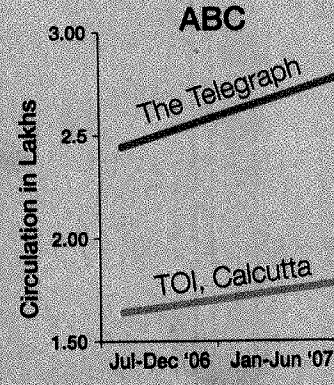
*Unputdownable*

**Widening Gap in Readership**




**Widening Gap in Circulation**




*Figures for Calcutta only.*

3052.2008

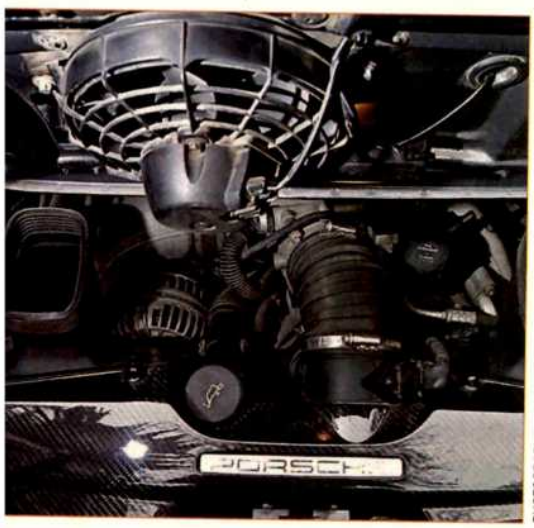
AUTOMOBILES

# Need for speed

**Tweaking components or computer chips can morph your boring sedan into a speed demon**

GREAT SPEED IS THE NEAREST THING TO GREAT sex. The raw exhilaration of shooting to over 100 kmph from standstill in less than five seconds is simply orgasmic. That is what makes the hundreds of thousands of dollars paid for the Ferraris, Lamborghinis and Porsches worthwhile. However, those with fewer dollars to spend can get their boring sedans perked up by playing with their anatomy. For less than Rs 10 lakh you can convert your poodle into a frisky beast. You can do the same with motorcycles. In fact, now you even have customised bikes for five-six-year-olds too.

Speed kills? "Hell, no!" insists speedhead Niivit Bhasin, a drag racer and rallyist-cum-car enhancer. "You cannot blame the tool for the mistakes of the fool." The reason some kids have died or killed others while driving fast, he



PHOTOGRAPHS: AMIT VERMA

**EMPOWERED:** Tweaking can boost an engine's power by 25-30 per cent

**EVEN SPORTS CARS NEED BOOSTING:** A souped-up Porsche can go as quick as a Ferrari

# In Vogue

**READY TO RACE:** A Mitsubishi Lancer and a Fiat Palio after enhancements, inside and outside

PHOTOGRAPHS: AMIT VERMA

**BIKING FOR FAMILY:** A modified Yamaha RX100 and a fabricated dirt bike for kids

goes on, is that their parents just gifted them the fast machines without putting them through training in the techniques and etiquettes of speeding. Bhasin himself trained at a racing school in London.

Notwithstanding the accidents and police crackdown on street racing, the cult of speed is growing. New car and bike enhancement shops are opening every few weeks.

"Typically, the Indian versions of cars and bikes sold by the auto MNCs are deliberately de-tuned for the sake of mileage, road quality and poor driving habits of Indians," says Prashant Sagar, a car engine tuner. For example, Skoda RS is a 190-bhp car in Europe but is reduced to 150 bhp in India. "We raise the power and torque of the engines for maximum speed without blowing up the engine or throwing the body off balance," he says.

There are two aspects to engine enhancement — hardware and programming. Bhasin points out that the most basic upgrade involves a change of air filter and exhaust for faster air intake and outflow. Then one can use iridium spark plugs that fire the fuel faster and for greater power, and also upgrade the manifold and wires. However, all this will come to nothing until the computer chip in the engine is reset for speed, which involves tweaks such as changing the engine timing, air-fuel ratio and turbo boost pressures. One can either replace the chip of the vehicle or get it retuned using software kits from companies such as Dimsports and AlienTech.

Sagar points out that the German cars — Mercedes, BMW, Porsche, Volkswagen, and Skoda — are most suited to software tuning, that is, resetting engine performance without even changing factory-fitted components. He recently tuned a Porsche Carrera 4S that already had its power boosted from 355 bhp to 384 with a factory-fitted powerkit — pushing its bhp above 400. "Though such invisible upgrade is like wearing Rolex in your socks, it is worth it for its sensation value," says the proud owner who does not want to be named.

Speed and adventure biking is also coming on strongly, according to Viren Kaul, a motorcross biker and Delhi's top bike enhancer. Along with his brother, Vijay, he imports used sporting and cruising superbikes such as Hayabusa and Harley Davidson, and reconditions them for sale. The Kaul brothers also modify local bikes into dirt bikes. "Biking is becoming so popular that people are not only building portfolios of bikes for speeding, cruising and jumps, but are also buying off-road bikes fitted with 100-cc engines for their five-six-year-olds," says Viren Kaul.

That may be a bit extreme for some. But speed is not for the sissy, or for the stupid.

*Feroz Ahmed*

TRIBHUWAN SHARMA

# What it takes to be at एनटीपीसी NTPC ?

# Inspirational confidence

NTPC, a Navratna Public Sector Enterprise and India's largest power company with an installed capacity of 29,144 MW is presently operating 15 coal based, 7 gas based and 4 joint venture power stations. NTPC has emerged as an integrated Power Major with presence in Hydro Power, Coal mining, Oil & Gas exploration, Power Distribution & Trading and also plans to make a foray into Nuclear Power Development.

## NTPC requires Chief Law Officer for its Corporate Centre, New Delhi & Faculty Members at its Power Management Institute, NOIDA (UP)

### CHIEF LAW OFFICER

| Post | Qualification |
|---|---|
| **One** at the level of E7A **(UR)** | Full time Degree in Law (professional). Those having post graduate degree in Law with specialisation in Company Law and contractual matters will have an added advantage / be preferred. |

### FACULTY MEMBER

**Total no. of posts 3 (2 UR, 1 OBC)**

| Post | Qualification |
|---|---|
| **COAL MINING & WASHERIES** **One** at the level of E5/E6 | M Tech/M.E in Mining Engineering (BE/B.Tech in Mining Engineering is desirable) Ph.D. in the relevant area would be given preference |
| **HYDRO POWER** **One** at the level of E5/E6 | M. Tech/M E in Civil/Mechanical Engineering (BE/B.Tech in Civil/Mechanical Engineering is desirable) Ph.D. in the relevant area would be given preference. |
| **STRATEGIC MANAGEMENT** **One** at the level of E6/E7 | PGDBM / MBA or equivalent Ph.D. in any management discipline would be given preference. |

### GRADE & SCALE OF PAY*

| Level | Scale of Pay (IDA Pattern) |
|---|---|
| E5 | Rs.17,500 - 4% - 22,300/- |
| E6 | Rs.18,500 - 4% - 23,900/- |
| E7 | Rs.19,000 - 4% - 24,750/- |
| E7A | Rs.19,500 - 4% - 25,600/- |

*(Scales are due for revision w.e.f. 01.01.2007).

### UPPER AGE LIMIT

| | |
|---|---|
| Faculty Member | 47 Years |
| Chief Law Officer | 52 Years |

### HOW TO APPLY

Interested candidates who meet the eligibility criteria may send their application in the prescribed format only, available on our website: **www.ntpc.co.in/jobs** alongwith a demand draft for Rs 250/- drawn in favour of NTPC and payable at State Bank of India, New Delhi, or Associated branches **(for Faculty positions only)** to DGM (HR-Rectt), NTPC Limited, NTPC Bhawan, Core-7, 1st Floor, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi - 110003. The post applied for should be mentioned on the left hand corner of the envelope. Incomplete applications on any account shall be rejected. Last date for receipt of application is 05.05.2008.

Full text of advertisement containing the minimum experience requirement, general conditions can be viewed at our website: **www.ntpc.co.in/jobs** and Employment News dated **19.04.2008.**

एनटीपीसी NTPC **NTPC Limited**
(A Govt. of India Enterprise)

NTPC Bhawan, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi-110003

**Visit us at : www.ntpc.co.in**

Advt No.01/08

## Entertainment

### FEST OF EU'S BEST

CINEMA LOVERS MIGHT want to make some room on their calendars for an enchanting experience with European cinema. The European Union Film Festival, which ended in Delhi on 8 April, is now on in Chennai (up to 17 April) and Kolkata (up to 16 April). Kozhikode (17-20 April) and Pune (24-30 April) will also be part of the journey. This year's festival, featuring 21 films, kicked off in Delhi with the award-winning Slovenian film *Short Circuits*.

One of the cinematic gems is the acclaimed British documentary *Stephen Fry: The Life of a Manic Depressive*.

There is also the French film *Toi et Moi* (You and Me) featuring 2008 Oscar (best actress) winner Marion Cotillard. Another enjoyable film is Germany's *Yella*, the story of a young woman who leaves her small town for a promising job and a new love life. The Slovakian entry, *Two Syllables Behind*, is about a young girl, her relations with her parents and the men in her life, and her quest to move to Paris from the Slovak capital Bratislava. Other films include *Golden Beach* (Estonia), *It's Spring In Prague Every Year* (Czech Republic), *Eighth Day of the Week* (Hungary) and *I Am* (Poland).

The planning of the fest in Delhi left a lot to be desired. The timings clashed and the hot favourite, ***Stephen Fry: The Life of a Manic Depressive***, was screened in a room with a seating capacity of less than 100.

*Puja Mehra*

### FINE DINING

## La Cocina Española

TRIBHUWAN SHARMA

THE WORDS "I'M A vegetarian" would be lost on the maître d's if you were dining in Spain, where vegetarian food would typically mean some onions sautéed in olive oil topped with asparagus, artichokes, tomatoes and a sausage to go with it. However, Thomas Stork, executive chef at the Las Dunas Hotel in Malaga, Spain, who was in Delhi last week for a Spanish food festival at The Claridges, points out that a vegetarian need not go hungry in Spain.

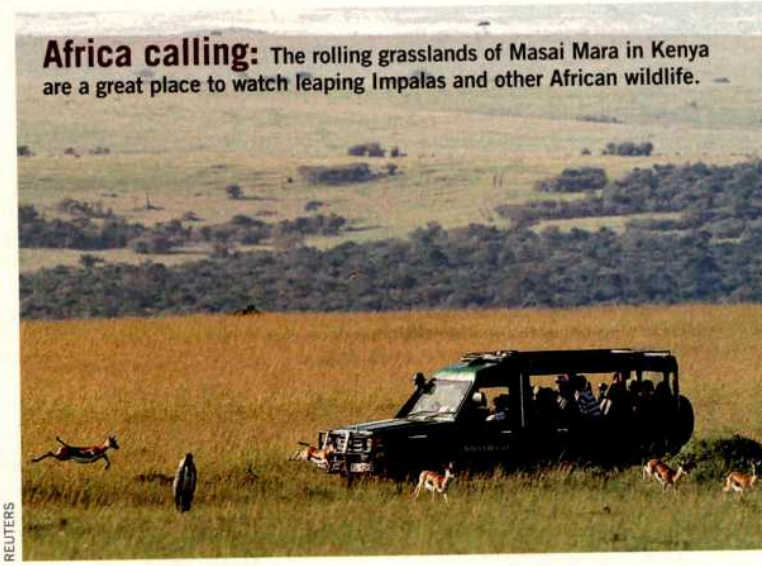
In the appetisers, try the cold soup, or Gazpacho, of strawberries, oranges, pink pepper and avocados, which is like an explosion of flavours in your mouth.

In the main course, you could have vegetarian Paella — rice topped with tomatoes, peas and corn, or the cèpe mushrooms and leeks in a puff pastry pillow with sauce made of the Spanish wine, Cava.

For the dessert, try the Banana soufflé with green tea ice cream topped with caramelised sugar. For the chocolate enthusiast, there is always the chocolate and virgin olive oil mousse. Have it with rosemary-marinated orange segments for the ultimate pleasure in fine Spanish dining.

**SLICE OF SPAIN:** Vegetarian Paella (left) and chocolate and virgin olive oil mousse

*Jayant Singh*



REUTERS

**Africa calling:** The rolling grasslands of Masai Mara in Kenya are a great place to watch leaping Impalas and other African wildlife.

FASHION

# Arm candy

AMIT VERMA

HANDBAG. EVERY woman needs one. In fact, she needs more than one. A huge cavernous one in solid colours for work, a dainty shimmering clutch for the evening out, a chic one in the season's latest colours for lunch with the girlfriends, and yet another for that upcoming holiday. Frank Zambrelli, president and creative director of New York-based Leiber, the luxury handbag maker, recently said that the era of the 'it' bag is "finally and thankfully" over. This means that women can now invest in exquisite bags without worrying about having to trade them in the following season. Leiber, which launched its India operations with a specially designed limited-edition, jewelled Ganesha evening bag, is of course top of the range.

But there is a whole range of handcrafted, exclusive and affordable handbags created by Indian designers. Take the Espionage line designed by Shalini Gupta under her 'what's pink' label. This vintage range is inspired by Mata Hari and comprises unique LED spybags that quite literally light up your evening. Those looking for handbags to go with their saris may look at Meera Mahadevia's 24 Carat Gold line — clutch bags that use traditional Indian motifs.

So, the next time you are out shopping, look beyond the usual suspects. You may just find your personal 'it' bag.

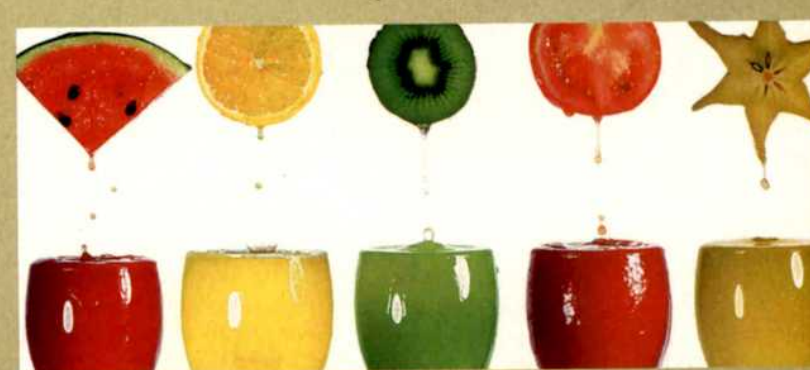
*Sumati Nagrath*

AMIT VERMA

**FUNKY TRUNK: Gupta combines LED motifs with distressed leather**

BON VIVANT

# Summer nectars



**THE HEAT IS ON, AND THERE IS NO GREATER DELIGHT** in these scorching summer days than a body-cooling thirst quencher. You are already being extensively bombed with high-octane marketing of colas, beers and white wine, but preservatives or alcohol in these drinks may actually add fuel to your digestive fire. Nothing surpasses the fresh fruit and vegetable juices in beating the summer heat.

Tender, naturally cool coconut water is the ultimate heat-dousing thirst quencher. Then, summer-only fruits such as muskmelon and watermelon make great coolers. *Aam panna,* made with water, mint and raw mango, is a great drink to avoid or treat heat stroke. Even ripe mangoes help cool off, contrary to some people's belief that they generate heat in the body, according to Kavita Mukhi, a Mumbai-based eco-nutritionist and CEO of Conscious Foods, an organic food company. "Just ensure that mangoes are consumed in between meals, and not with meals," she says.

Of course, there are the evergreen *nimbu-pani* and *jal-jeera.* Orange fruit juice is another effective coolant except for those having acidity problems.

Among vegetables, the most effective cooling drinks are juices of bottle gourd, cucumber and carrot in which mint or coriander leaves can be added.

Coffee addicts better cut down on their caffeine quota. Tea addicts have an option. They can brew their regular teas with mint leaves, or go for green non-fermented tea without milk.

Chill with cool drinks and avoid losing your head in the heat.

*Rajesh Gajra*

ECOLOGY

# New energy savers

**Automation can cut down on energy consumption by about a third**

ON 29 MARCH, PEOPLE IN 24 CITIES ACROSS THE world — none in India, though — observed an 'Earth Hour' by switching off lights to cut down on energy consumption. But that was a symbolic event. To make energy saving routine and reduce your carbon footprint — much of the electricity is generated by burning coal and oil that produces carbon dioxide and smog, and contributes to global warming — automating the electricity-using devices at home is a useful idea, especially for the lazy and the absent-minded.

Though some dispute the benefits of using energy-consuming devices to save energy, the urban reality allows more tactical than fundamental choices. Automation can save energy consumption at home by about a third by ensuring that energy is used only when and where it is required.

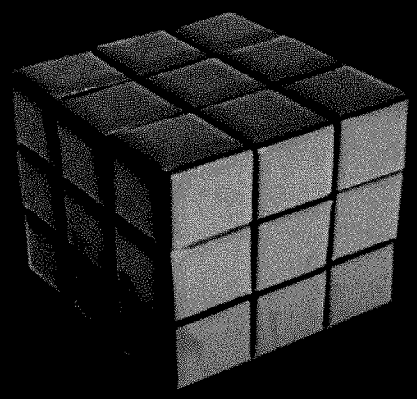
Using day-switches, occupancy sensors, dimmers and timer devices to operate lighting and appliances can greatly reduce wastage of energy. Managing the lighting and the heating, ventilation and air-conditioning (HVAC) systems is key to such tactical energy consumption control.

The advances in technology now offer switches that use sensors to measure the natural light available for the tasks to be performed in a particular space, and switch artificial lights on or off accordingly. The occupancy sensors detect temperature change in a room and people's movement into and ou of it. These activate or deactivate lighting or HVAC systems depending on occupancy of th room. Timers can be used to control the duration of usage of lighting and climate control appliances.

Home automation firms in the US are tryin to develop an electricity usage and advisory system that will show electricity usage live on your TV or computer screen. It will also identify energy wastages and suggest corrective actions to reduce the electricity bill. It will give an economic reason to people to spend on energy-saving systems if the eco logi fails on them.

*BW Bureau*

**SMART SOLUTIONS:** Devices read natural light to switch on and off artificial lighting



# Looking for a **Genius** in Corporate Communication

NTPC, a Navratna Public Sector Enterprise and India's largest power company with an installed capacity of 29,144 MW, is presently operating 15 coal based, 7 gas based and 4 joint venture power stations. NTPC is emerging as an Integrated Power Major with its presence in Hydro Power, Coal Mining, Power Distribution, Power Trading, Power Equipment Manufacturing, EPC and plans to make a foray into Nuclear Power Development.

We are looking for a high caliber individual for the position of **GENERAL MANAGER (CORPORATE COMMUNICATION)**, responsible for formulation and implementation of the Corporate Communication Programme of the Company so as to create a competitive corporate image and to formulate and regulate Corporate Communication Policies for the company in tune with its Corporate Objectives.

## QUALIFICATION

Post Graduate Degree or Post Graduate Diploma in - Communication /Advertising and Communication Management / Public Relations / Mass Communication / Journalism.

## PAY SCALE

E-8: Rs. 20500-26500 (IDA Pattern)

(Pay scales are due for revision w.e.f. 1-1-2007).

## UPPER AGE LIMIT

52 years.

## LOCATION

Corporate Centre, New Delhi.

Interested candidates, who meet the eligibility criteria may send their application in the prescribed format, available on our website **www.ntpc.co.in/jobs** to DGM (HR-Rectt), NTPC Limited, NTPC Bhawan, Core-7, 1st Floor, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi - 110003. The post applied for should be mentioned on the left hand corner of the envelope. Incomplete applications on any count shall be rejected.

Full text of advertisement containing the minimum experience requirement, general conditions etc. can be viewed at our website **www.ntpc.co.in/jobs** and Employment News dated 26.04.08.

एनटीपीसी NTPC

**NTPC Limited**

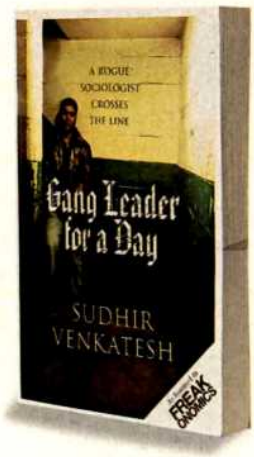
(A Govt. of India Enterprise)

NTPC Bhawan, Scope Complex, Core-7, 7, Institutional Area, Lodhi Road, New Delhi-110003

*Visit us at : www.ntpc.co.in*

**Advt No 02/08**

Chiranjit




# The Ghetto, From Close Quarters

by sumati nagrath

**GANG LEADER FOR A DAY**
**A ROGUE SOCIOLOGIST CROSSES THE LINE**
**BY SUDHIR VENKATESH ALLEN LANE/PENGUIN, PAGES: 290; PRICE: £4.99**

"I WOKE UP AT ABOUT 7.30 AM IN A CRACK DEN, Apartment 1603 in Building Number 2301 of the Robert Taylor Homes... The walls were peeling, and roaches skittered across the linoleum floor. The activities of the previous night — smoking crack, drinking, having sex, vomiting — had peaked at about 2:00 am. By then the unconscious people outnumbered the conscious ones — and among the conscious ones, few still had the cash to buy another hit of crack cocaine. That's when the Black Kings saw diminishing prospects for sales and closed up shop for the night."

This is how Columbia University professor Sudhir Venkatesh begins the recounting of his seven-year stint with the Black Kings, a crack-dealing gang in Chicago's Robert Taylor Homes (or simply — the projects). A tale that could so easily have fallen into the trap of voyeurism is instead narrated with deep compassion, underlying humour and startling honesty by Venkatesh. He writes about the residents of the projects and their daily challenges — parents trying to bring up their children in a drugs-infested area, youngsters dealing with addiction, frequent police beatings, ruthless self-policing, inadequate employment opportunities and lack of education — with the empathy and critical affection of an insider.

As the narrative unfolds, the popular misconceptions about drug dealers, black youth and gang subculture are quickly dispensed with. What emerges instead, is the complex and colourful portrait of a community that is tightly knit, highly organised, very hierarchical, closely monitored and one that demands allegiance either through friendship or force.

During his time with the Black Kings — including a day spent as the key decision maker (and that is where the title is derived from) — Venkatesh discovers that the gang has an organisational chart that rivals that of any of the big multinational firms, such as IBM, in its comprehensiveness and clarity of functions, roles and reporting structures.

Venkatesh himself is just a supporting member of the cast; the main protagonist here is J.T., a 'divisional' leader of the Black Kings. The author recounts his first meeting with J.T. After being told by some of the older black men (who he tried to interview for a professor's survey about life in black neighbourhoods) to speak to "young men", Venkatesh went and spend some time researching in the library, which in turn led him to the Lake Park Projects Building Number 4040. As he naively strolled into the dark, damp and smelly building, he was mistaken as a member of a rival gang by the Black Kings. And before he could even get his bearings, the author found himself surrounded by gun toting and knife wielding gangsters. He tried to tell them that he was just a sociology student trying to conduct a survey only to be asked by the leader of the local housing project, J.T., "Well ask me a question." Almost immediately, fearing for his life, Venkatesh asks what would be the first of many questions of his seven-year research, "How does it feel to be black and poor?"

At times disturbing, but always riveting, the seeds of GANG LEADER FOR A DAY were sowed nearly two decades ago.

It all started in 1989, when as a first-year doctoral student at the University of Chicago, Venkatesh became aware of the uncomfortable fact that the university was not just the proverbial ivory tower but "also an ivory fortress". Then a budding sociologist, Venkatesh ventured out of the "safe-zones" only to find that he was "particularly interested in the poor black neighbourhoods surrounding the university". And soon he was walking down the lanes in those areas, playing basketball in the local courts and being offered food by generous

**SUDHIR VENKATESH,** spent a decade living with the Black Kings gang in Chicago's South Side. His research later became famous in *Freakonomics* (Why do drug dealers still live with their moms?). He is now Professor of Sociology and African-American Studies at Columbia University.

**BROWSING**
**K.K. Unnikrishnan**
Director Marketing, Alliances & Teleweb Sales, Sun Microsystems

**A friend recently gave me the book The Monk Who Sold His Ferrari by ROBIN SHARMA. It is based on the simple yet meaningful concept of living a more purposeful life and making that small difference to the world. Sharma believes we all come with special talents waiting to be manifested. In every book that I read, I look for at least one thought that I can implement in my life.**

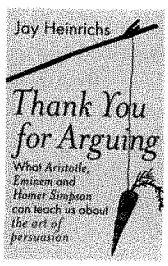
strangers picnicking in the parks.

Although intrigued by the classic sociological questions such as "How do individuals' preferences develop?" and "Can we predict human behaviour?", when Venkatesh compared them to the "vibrant life" he saw "on the streets of Chicago", he found that the "discussion in these seminars seemed cold and distant, abstract and lifeless". He found it particularly curious that "most of these researchers didn't seem interested in meeting the people they wrote about."

Armed with, what Stephen J. Dubner (co-author of *Freakonomics*) in his foreword to the book, describes as Venkatesh's "two abnormalities: an overdeveloped curiosity and an underdeveloped sense of fear", he enters not only the Chicago gang world but also ventures into the rather messy world of ethnographic research. When 'in the field', it is almost impossible to remain a detached sociological observer.

The author is candid about his naivety, his cockiness, his slight arrogance when he first enters the projects. He shares with us, with equal candour, the ethical dilemmas over collecting research on illegal activities and the fears he has for his own safety. Humane and honest, this is a compellingly intimate tale by a 'rogue sociologist'.

**SELECTION 1**




## In Defence Of Rhetoric

**THANK YOU FOR ARGUING WHAT ARISTOTLE, EMINEM AND HOMER SIMPSON CAN TEACH US ABOUT THE ART OF PERSUASION BY JAY HEINRICHS ALLEN LANE, PAGES: 310 PRICE: £6.99**

"SPEECH IS THE LEADER OF ALL THOUGHTS AND ACtions," Isocrates, the little-known father of rhetoric, had once said. Isocrates considered speech to be the key distinguishing feature between humans and animals and believed that the core function of education should be to teach people to speak. Of course, 'speech' doesn't have to be taken in its most literal form; instead, it is the art of speaking and getting your point across that ancient Greek philosophers such as Isocrates and Plato — despite their ideological differences — thought was so crucial to human progress. Jay Heinrichs, a journalist by profession and rhetorician by passion, tries hard to once again bring alive the magic rhetoric used to create at one point in time. Till the 19th century, he says, rhetoric was integral to academia. Today, however, hollow 'political-ese' and substandard journalism have given the word a whole new connotation. Rhetoric is avoidable, redundant and even deplorable. Heinrichs' THANK YOU FOR ARGUING is a tribute to this extraordinary, but criminalised art.

Heinrichs highlights, through anecdotes, how rhetoric continues to form an integral part of the most mundane negotiations in our everyday lives. However, what is annoying about the book is the 'how to' approach taken by the author at several points. In his words, by the time the reader finishes the book, he will have learnt "more than a hundred 'argument tools' borrowed from ancient texts and adapted to modern situations." Such intermittent statements, reminiscent of those oh-so-wonderful self-help books, can get excessive.

*—Jayant Singh*

**SELECTION 2**

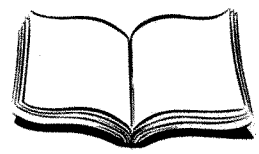
## Make-believe Friends

IN HER BEAUTIFULLY CRAFTED debut novel THE FINGER PUPPET (HarperCollins), Anu Jayanth takes the reader on a nostalgic journey about childhood. The story is set in the 1960s town of Tiruchirapalli (Tirchy) and tells the tale of 11-year-old Tara who tries to cope with her speech impediment. The novel explores the young girl's relationship with her English-educated, strict father and a gentle, tradition-bound, ritualistic mother with a passion for Carnatic music and the Vedas. Her relationship with her two sisters — the beautiful and gentle Padmini and the eccentric, sharp-tongued Cordelia — is narrated with compassion. But it is the skilful telling of Tara's make-believe friendship with her thumb which is really touching. The girl takes refuge in pouring her heart out to her thumb — her best friend.

Sometimes, Tara also tries to do away with the tongue which not only gives her an inferiority complex but also irritates her father, who therefore seldom interacts with her. Various elements of the novel — a wistful tale, deft prose, a charmingly evoked Tirchy, girlhood days of jasmine flowers in the hair and an ambivalent relationship with parents — invite us all to remember instances from our own childhoods and indulge in a bit of heartwarming nostalgia.

*—Janhavi Abhyankar*

**ALERT**



**COURAGEOUS DREAMING: HOW SHAMANS DREAM THE WORLD INTO BEING BY ALBERTO VILLOLDO HAY HOUSE INC**

**Shamanic knowledge and modern physics tell us the same thing – that we are dreaming the world into being with every thought. The ancient shamans or Earthkeepers believe we dream up the nature of reality itself. They hold on to the notion that we can dream bravely and with grace to change the course and quality of our own lives. In this book, Villoldo shares the shamanic belief that dreaming requires an act of courage or we are destined to live the nightmares conjured by others.**

# Who Needs Brokers?

SEBI IS REPORTED TO HAVE DECIDED TO ALLOW INstitutional investors to trade on their own on the stock exchanges. Apparently, they will be able to do so from terminals in their own offices. They will then get such diverse advantages such as direct control over orders, faster execution, reduced risk of errors associated with manual order entries, greater transparency, increased liquidity, lower impact costs for large orders, better audit trails and better use of hedging and arbitrage opportunities through the use of algorithms for trading. If it is such a step forward, why was it not taken before? Because stockbrokers would have objected. Even now, the institutions will not be allowed to trade in their own names. All their contract notes will bear the name of a broker. That broker will obviously get a small commission.

SUBHABRATA DAS

**Sebi should run a stock exchange, on which anyone who is capable of paying his debts should be allowed to trade with no hassles of membership**

He will get the commission for doing nothing. The obvious question is, why should he? The answer would be that he is a member of the stock exchange, and the investing institution is not. And why is it not? Because the stock exchange is a joint stock company, the stockbrokers are its shareholders, and they trade only amongst themselves. There was a time when they were partners or club members or something like that. Then Yashwant Sinha forced them for some reason to incorporate the stock exchanges. Now they will enjoy the privilege of being shareholders and earn fat commissions without doing a stroke of work.

The next question to ask is: why cannot investing institutions buy shares in stock exchanges? Because brokers would not sell them shares. That should not matter; the companies called stock exchanges can always create new shares. But they would not. And why not? Because then their members would not get commissions without doing anything. They would actually have to work to earn a commission; and they would not earn it unless they do something for the institutional investors that the investors could not do for themselves. There was a time when it was thought that brokers would be able to supply their investor clients with superior research. But today, institutions are bigger, richer and more capable of research than brokers. So, brokers have nothing of value to offer.

But such is our law that brokers have a right not to issue new shares or admit new members into their stock exchanges. That is quite all right; investing institutions can start their own exchanges. If they are so foolish as to bar new members from their exchanges, that too is all right. The fewer the members they have, the lower the turnover, the wider the margins and the less efficient the price discovery. So it will be in their interest to admit as many members as possible. If they do not, newer exchanges will.

That actually happened once. Government institutions such as Unit Trust of India and Life Insurance Corporation had a row with the Bombay Stock Exchange and set up their own National Stock Exchange in 1992. Because of their muscle, it soon overtook BSE in turnover; though BSE continued to be preferred by foreign institutional investors.

So why can it not happen now? Because a new stock exchange would require a licence from Securities and Exchange Bureau of India. Stock exchanges, like all oligopolies, hate competition; their members would lobby against licences for new exchanges. G.V. Ramakrishna, chairman of Sebi in 1992, had trouble with members of BSE, so he sanctioned another exchange. The present Sebi would face strong opposition from NSE and BSE, and would hesitate to sanction another stock exchange.

But who gave Sebi the right to stop anyone from starting an exchange? The government. It made Sebi the regulator of stock exchanges; and if there were hundreds of exchanges, Sebi might find it difficult to regulate them. Besides, it is good to have fewer exchanges since they would bring together more transactions.

If so, it would be ideal to have only one exchange. And there is no reason for it to be a company, or for trading on it to be routed through brokers. In these days of broadband connections, anyone should be able to hook up to the exchange if he can convince its managers that he would pay any debts he may incur by buying shares or speculating.

That is all that is required. Sebi can run an exchange itself. Anyone should be allowed to set up a competing exchange. If Sebi runs its exchange efficiently, all other exchanges will close down. If not, Sebi will close down. But that will never happen because it would not suit the government. If there are no regulators, hundreds of people will lose cushy, unnecessary jobs.

COLORS OF SUMMER

ColorPlus®
SMART CASUALS

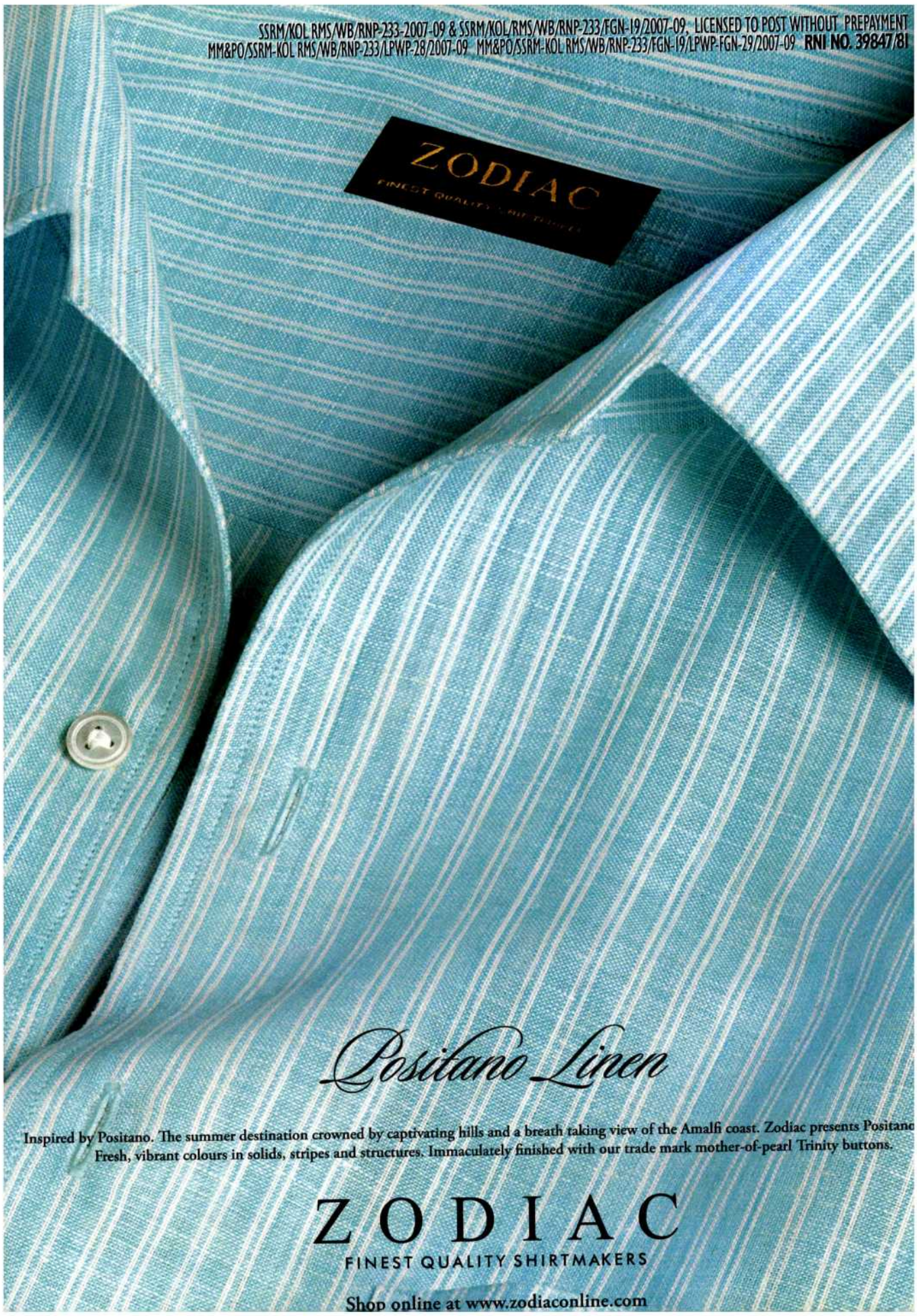
# HAVE AN ICED TEE

Presenting ventilated collar Golfing Tees. With precisely engineered perforations enhancing the evaporation of moisture, this revolutionary tee shirt is sure to keep you as cool as ice always. Never be hot under the collar again!

rubecon

Available at all exclusive ColorPlus showrooms and other retail outlets. You can shop online at www.colorplusonline.com

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09. LICENSED TO POST WITHOUT PREPAYMENT
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 RNI NO. 39847/81




*Positano Linen*

Inspired by Positano. The summer destination crowned by captivating hills and a breath taking view of the Amalfi coast. Zodiac presents Positano
Fresh, vibrant colours in solids, stripes and structures. Immaculately finished with our trade mark mother-of-pearl Trinity buttons.

ZODIAC

FINEST QUALITY SHIRTMAKERS

Shop online at www.zodiaconline.com

MOBILES & HEALTH P.22 DHARAMSALA PROTESTS P.50

Rs 1

# Businessworld

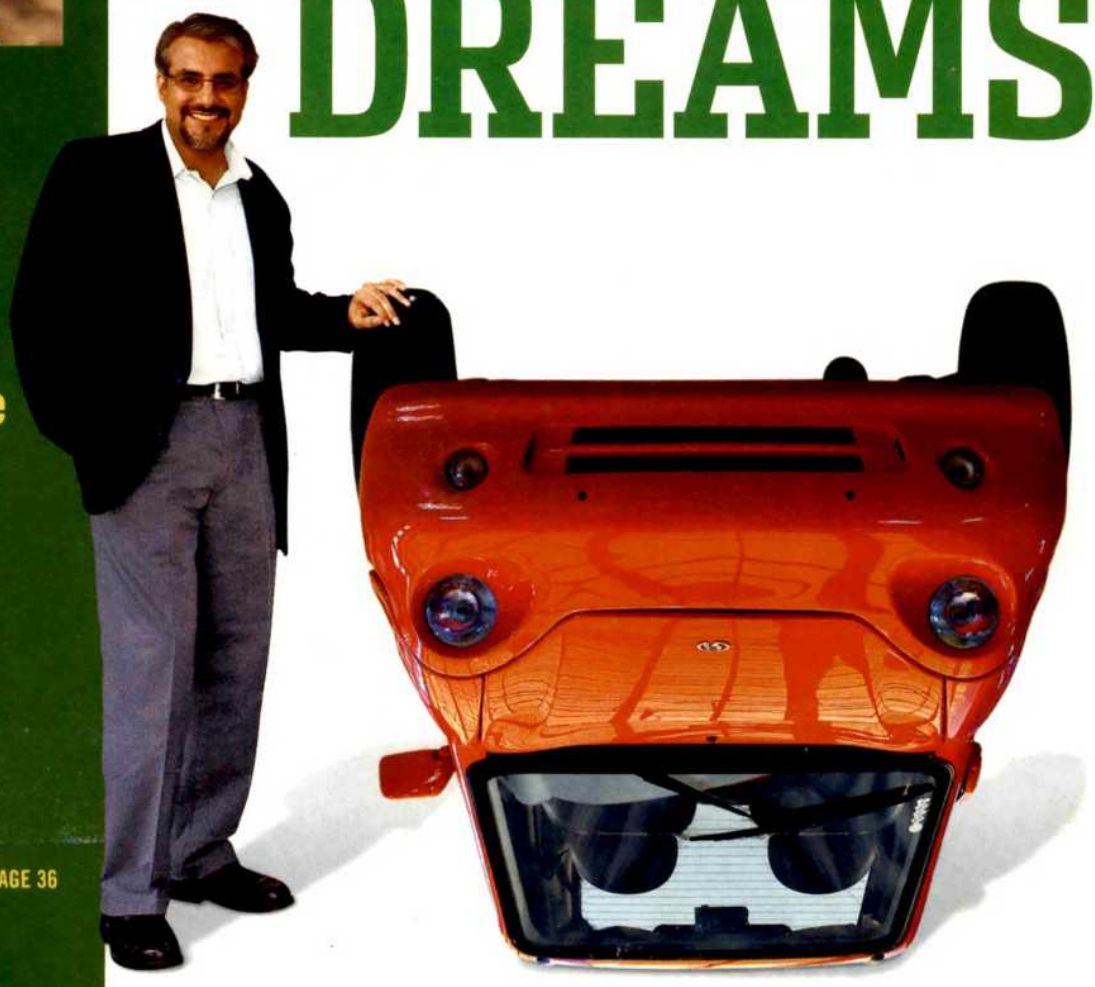
www.businessworld.in 28 APRIL 2008 SUBSCRIBER COPY NOT FOR RESAL

# ELECTRIC DREAMS

Economist Raghuram Rajan and how he wants to change the financial world PAGE 40

+

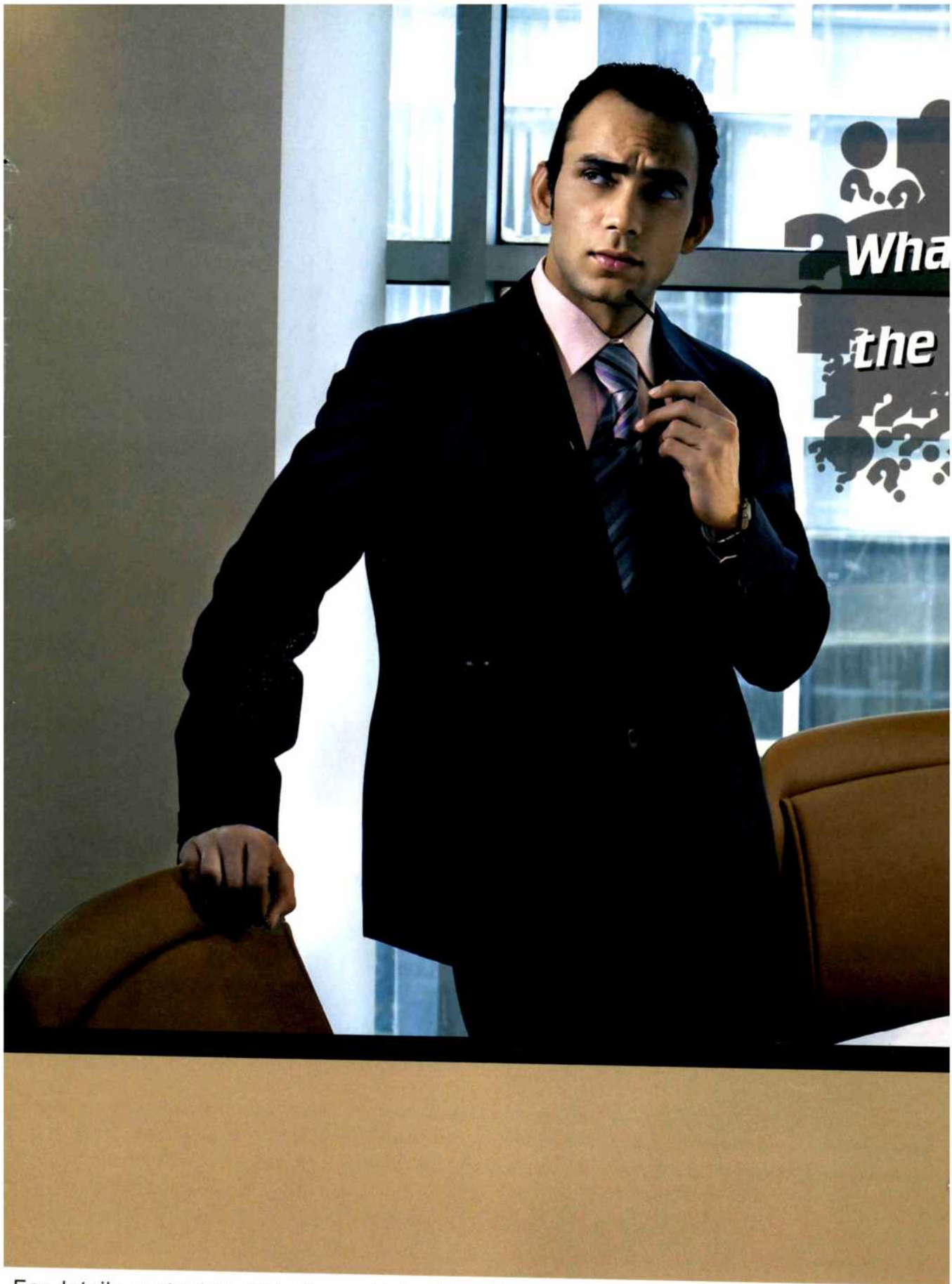
The quota effect on India Inc. PAGE 36



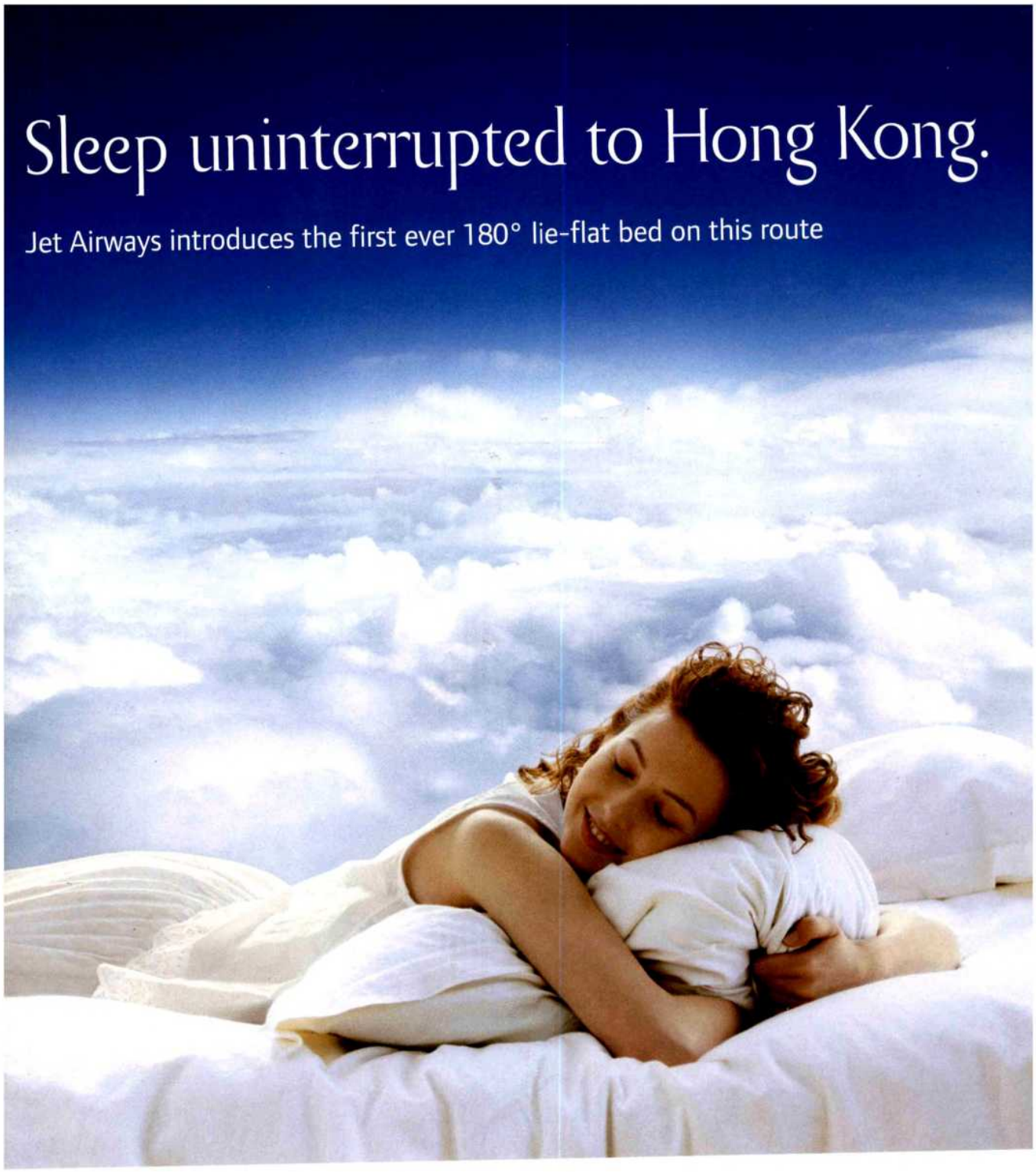
Chetan Maini's Reva and other electric cars could turn the auto industry upside down

INDIA'S No. 1 BUSINESS MAGAZINE
MOST READ
MOST SOLD

gaon Road, Gurgaon-122002 (Haryana), India. Ph: (+) 91-124-4099 270/80, 2804 242/3.
om.




For details contact us at: Ballarpur Industries Limited, First India Place, Tower C, Mehrauli-
Fax: (+) 91-124-2389 495, 2560 029/30. E-mail: info@biltpaper.com. Website: www.biltpap




Get enticed to sweet slumber on your way to Hong Kong aboard our Premiére, with the coziness of 180° lie-flat beds. Complemented by ambient mood lighting and 'Sleeper Suit'. For entertainment, engage in movies, music and games on our award-winning in-flight entertainment system. Adding to your pleasurable flight is our delectable cuisine with select beverages. You can also enjoy this comfort on your way to Brussels, London, New York, Singapore, Kuala Lumpur and Toronto. So the next time you want to fly in peace and calm, call 1800 22 55 22*/3989 3333, your travel agent or visit jetairways.com

JET AIRWAYS

# Will your *m*SME or Mid-Corporate be the one to Excel?

## National awards for *m*SMEs and Mid-Corporate who redefine excellence!

The CorpExcel Awards are back again. With another opportunity to showcase the power of your 'big thinking'. **Hurry! Send your entry and get the recognition you deserve!**

Entry forms available at all CorpBank branches.
Or log on to **www.corpbank.in** or our Knowledge Partner at **www.jkshim.ac.in**

Open to all - Not just CorpBank customers | **Toll Free No.: 1800 1024 554**

**1. SMEs** - Categories: Food & Agro-based • Textiles & Apparels • Machine Tools & Engineering • Chemicals & Petro Chemicals • IT&ITeS Sector • Auto Components • Drugs & Pharmaceuticals • Plastics & Packaging • Gems & Jewellery • Others **2. Micro Enterprises** [All Categories] **3. Mid-Corporates** [All Categories]

**Knowledge Partner**
NITTE
Justice K. S. Hegde Institute of Management

**Process Validator**
HARIBHAKTI GROUP
*Ensuring flawless process, always.*

**Marketing Partner**
endtoend

**Rush your entry today!**

कार्पोरेशन बैंक **Corporation Bank**

**A Premier Government of India Enterprise**

# In The Fast Lane

**by jehangir s. pocha, editor**

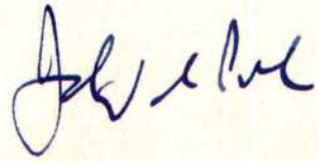
CHETAN MAINI HAS A DREAM — THAT his little Revas will one day be sold in a nation where they will not be overlooked for the smallness of their engines but embraced for the revolutionary nature of their technology.

Comparing Maini's dream with Martin Luther King Jr.'s seems facetious. But then, Maini also seeks to free society, not from the ravages of racism but from the tyranny of the internal combustion (IC) engine. One hundred years ago, the IC's introduction came as a great beacon of hope to a world travelling on horseback. But one hundred years later, our world is struggling with the repercussions of Nikolaus Otto's invention, which has caused oil wars, impoverished nations and ravaged the environment.

Various engineers, eccentrics and hustlers have tried to end the long night of our captivity to the IC engine. They've failed, sometimes for technical reasons, sometimes for mysterious ones. But some, like Maini, refused to believe that there is insufficient imagination in the great vaults of human talent to overcome the problem.

While most auto firms say electric vehicles (EVs) are "the future", the Rs 3.5-lakh Reva is on the road today. Helped by subsidies, it has become the UK's best-selling EV. But it remains unknown in India. The Reva needs subsidies, especially as India subsidises fossil fuels. But New Delhi, like most governments, fears that EVs will disrupt the powerful oil and auto industries.

Undeterred, Maini and other EV makers are winning consumers by building EVs that go further and faster, and are frugal and fun. Maini aims to sell 30,000 EVs a year by 2013, and have them driving from the prodigious hilltops of India's ghats to the red hills of Georgia. Investors, greens and urbanites are egging him on in the hope that EVs will break our dependence on IC engines. Free at last, free at last, thank God Almighty, we will be free at last!



**Businessworld**

**Volume 27 Issue 49.**
**For the week 22-28 April 2008,**
**Released on 21 April 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
**Bangalore**
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

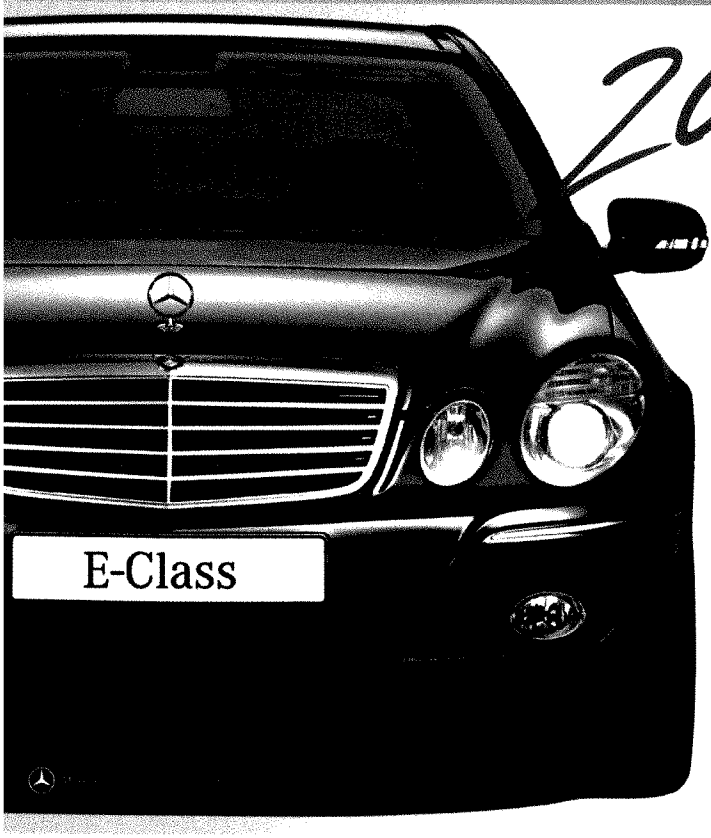
*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*

# Pioneers with the determination to lead.

Being a pioneer is not for the weak spirited. It requires the kind of conviction and emphasis on achieving excellence that bespeaks character. At Mercedes-Benz, we wouldn't have it any other way. Mercedes-Benz rolls out its 20,000th car from the Indian plant and delivers its 10,000th E-Class on Indian roads.This milestone is yet another testament to our determination to maintain leadership. And proof that when it comes to performance, luxury, safety and technology, Mercedes-Benz is the chosen way to travel. We're celebrating this fact and the journey that has brought us this far, with an exciting offer for you, our discerning customer. May we therefore, persuade you to know more about this commemorative offer? We promise you, it will be a truly unforgettable drive.

Special commemorative offer on the E-Class*
Contact your nearest dealer to experience this it otherwise.

Mercedes-Benz




20,000 CARS Produced

10,000 E-Class Delivered

**Mercedes-Benz Customer Assistance Centre:** Sector I5-A, Chikhali, Pimpri, Pune - 411 018. Tel: (020) 2750 5325/2750 5326.
e-mail: dccac1@daimler.com. website : **www.mercedes-benz.co.in.**

**North & East:**
Chandigarh: Tai - Pan Traders Ltd. : (0172) 5077775
Delhi: T&T Motors Ltd. : (011) 26821005.
Kolkata: Interkrafts : (033) 24483894
Ludhiana: Tai - Pan Traders Ltd. : (0161) 5086333

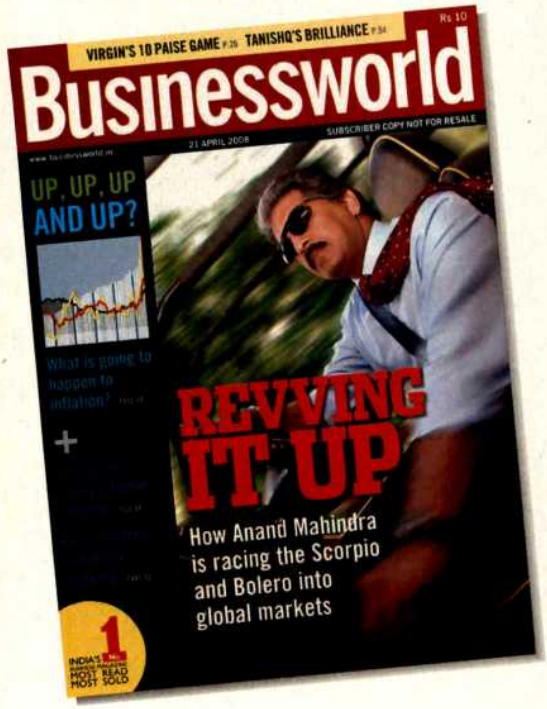
**West:**
Ahmedabad: Cama Motors Pvt. Ltd. : (079) 25505281
Mumbai: Auto Hangar (India) Pvt. Ltd. : (022) 66123800,
Sanghi Motorcar Co.: (022) 23842244
Pune: Millennium Motors Pvt. Ltd. : (020) 66085750

**South:**
Bangalore: Sundaram Motors : (080) 22070720
Chennai: Trans Car India Pvt. Ltd. : (044) 24324141
Cochin: Rajasree Motors Pvt. Ltd. : (0484) 2706432
Coimbatore: Sundaram Motors : (0422) 2452020
Hyderabad: Adishwar Auto Diagnostics Pvt. Ltd.:
Mahavir Motors: (040) 66668008

Accessories, colours and fitments shown may not be part of standard specification. Mercedes-Benz cars: series W211 meet Bharat Stage III emission norms. *Conditions apply.

R K SWAMY BBDO MB 17533 BW

# Feedback your comments




## Most Fuel Efficient Wins The Race

With reference to your cover story on Mahindra & Mahindra's globally expansive plans (*BW*, 21 April), I would like to make the point that in today's world, fuel efficiency is the top-most concern of most automobile users. That's where the Scorpio scores. But M&M should bear in mind that US customers have problems accepting foreign automobile products initially, as was the case with Toyota, which is making huge profits in the same market now. Any teething troubles must not deter M&M in its pursuit of global success. Along with Tata's acquisition of Jaguar and Land Rover, M&M's plans bode well for India's automobile sector. Given its track record, Tata is likely to do a good job with these brands, which should help M&M, too, gain quicker acceptance in the US.

**Prashant Rajput,** via e-mail

**WRITE IN AT**
**bweditor@abp.in**
**or post us on**
**www.businessworld.in**

## Indian Banks Are Largely Safe

Your in-depth feature on the safety of Indian banks 'Indian Scene Different' (*BW*, 21 April) was extremely well brought out. Unlike in the Western countries, where instances of collapse of banks are relatively frequent, banking in India is largely stable. Of course, it too is very sensitive though, as the failure of even one bank can badly shake the confidence of the investing fraternity. There have been a few instances of bank failures in the past, such as those of Global Trust Bank and United Western Bank, on account of blatant violations of RBI guidelines. But the market regulator intervened to make strong banks take over them so that the interests of depositors were protected. Not only the state-run banks, even private and cooperative banks now have a well-built risk management profile and professional management to boast of.

**Srinivasan Umashankar,** via e-mail

## Take Scorpio To Developing Markets

This is with reference to your cover story 'Revving it up' (*BW*, 21 April). When economic reforms were introduced by the government in 1991, Indian automobile manufactures felt threatened that their market share would be grabbed by foreign players. But it proved to be a boon for them because the entry of foreign players and their somewhat superior technologies motivated them to come up with some marvellous products. The Scorpio is one such example. I think M&M, in its quest to take the Scorpio to newer territories, should focus on the developing markets more than the almost-saturated developed ones.

**Vineet Bhalla,** via e-mail

## Need To Incentivise Work More

This is with reference to Ashok V. Desai's article 'Production Is The Key' (*BW*, 21 April). As always, Desai's writing has given a different perspective to the problem. Everyone responds to incentives. The NREG doesn't succeed in maximising workers' income. That's because the added earnings farmers or labourers get by working more are not sufficiently high to induce them to work more. One could argue that paying them more would increase the cost of the final product and cause more inflation. But then it will also lead to more production and reduce the demand-supply gap.

**Akshat Agrawal,** via e-mail

*Letters may have been edited for brevity.*

# 19%
# LESS POWER CONSUMPTION†

DELL™ POWEREDGE™ M600 BLADE SERVER

VS

HP BLADE SYSTEM C-CLASS

## ENERGY EFFICIENCY HP CAN'T BEAT

SIMPLIFY YOUR POWER CONSUMPTION AT
www.dell.co.in/efficiency
FOR BUSINESS ENQUIRIES CALL 1800 209 3061
TOLL-FREE Mon-Fri 9am-6pm (All Networks Except Spice Telecom)

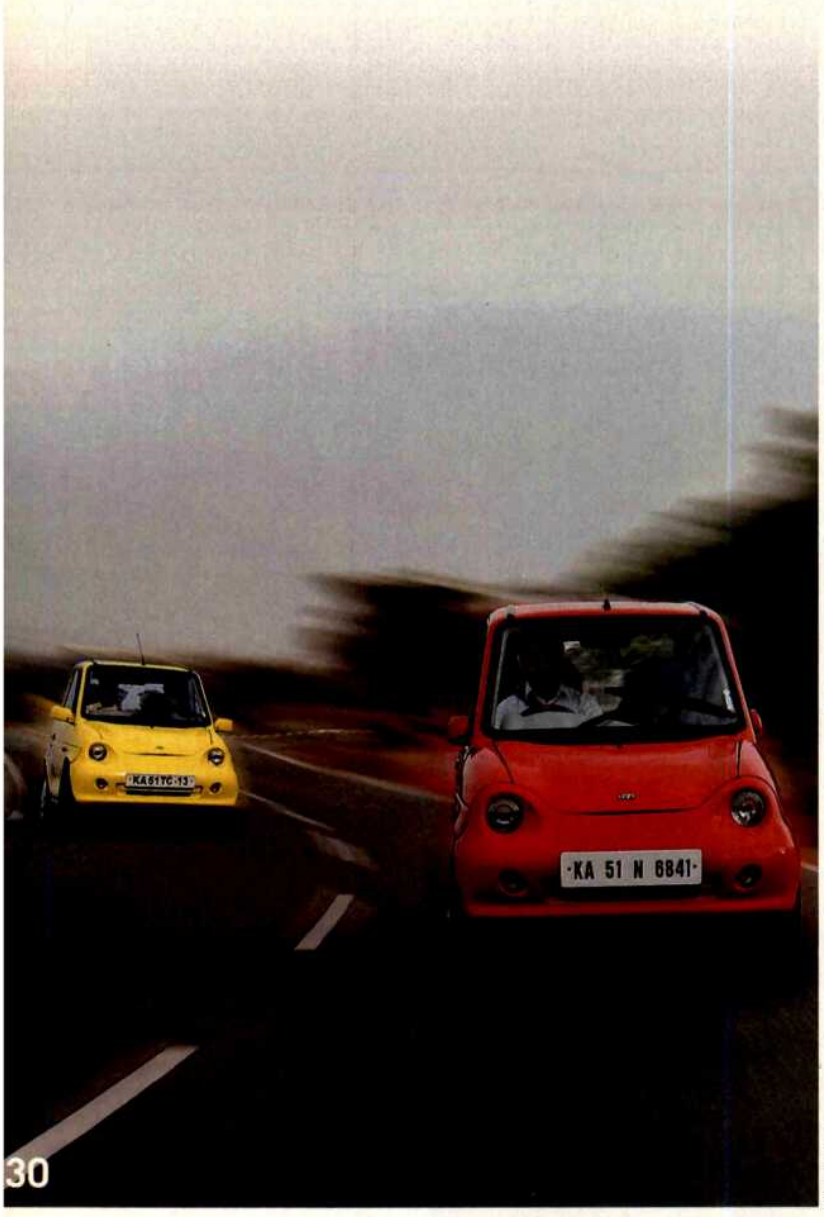
DELL

†Based on Principled Technologies' "SPECjbb2005 performance and power consumption on Dell, HP, and IBM blade servers" December 2007 test report commissioned by Dell.

DELL'S NORMAL TERMS AND CONDITIONS APPLY AND ARE AVAILABLE ONLINE OR UPON REQUEST. All efforts will be made to check for errors in typography and photography, however inadvertent errors may occur for which Dell may not be responsible. Dell, the Dell logo and PowerEdge are registered trademark or trademarks of Dell Inc. Other trademarks and trade names may be used in this document to refer to either the entities claiming marks and names or their products. Dell disclaims proprietary interest in the marks and names of others. Copyright 2008 Dell Inc. All rights reserved.

BATES DAVID ENTERPRISE/BLR/DELL/080/BUSINESS WORLD

Businessworld 28.04.08



30

AMIT VERMA

## COVER STORY

# 30 The Car To Watch

Reva, the world's largest selling electric vehicle, is shifting gears to produce more, sell more and win more hearts.

## ON POINT


**12 Metal Trap**
Hindalco's aluminium pricing strategy has put user industries under pressure.

**13 Animated Spirit**
The logic behind Turner's big bet on India's troubled animation industry.

**16 Suicide Country**
In spite of the government's much-touted debt relief, farmers continue to suffer.

**18 FIANCHETTO**
Weekly strategic corporate moves.

**20 QUICK TAKE**
Boycott Olympic opening ceremony?


## IN THE NEWS


**22 Call Alert**
Another report links mobile phones and brain tumours, but debate still rages on.

**24 L'Affaire MS-Yahoo!**
Partnership games in Silicon Valley could easily put a daily soap to shame.

22

50

**26 Shaky Silicon Valley**
In this seismically active zone, a quake would mean a big economic disaster.

## IN DEPTH

**36 The Quota Conundrum**
The path to social justice runs between job reservations and merit.

**44 Figure It Out**
Banks' total costs in villages are four-five times interest costs.

**46 Telecom Valuation**
Is the telecom sector undervalued, fully priced or over-priced?

**50 Karmic Deficit**
Tibetan protests turn feisty Mcleodganj into an embittered mourner.

## IN VOGUE

**63 Body Blasters**
Health clubs turn into a hip industry as global chains make a beeline for India.

**66 The Immaterial Girl**
Madonna's intent to remake *Casablanca* has alarmed fans of the masterpiece.

**68 Slipping Discs**
CDs and DVDs must get cheaper to compete with downloads.

**70 Bookmark**
Of transplanted people, blueprint of luxury brands, and ragged, jarring notes.

**72 Book Excerpt**
Transforming Capitalism: Business leadership to improve the world for everyone.

## COLUMNS

**21 Omkar Goswami**
Global food prices are unlikely to significantly ease off in the near future.

## IN CONVERSATION


**40 RAGHURAM RAJAN**
ECONOMIST

Before villagers and the poor are given loans, they should be taught to open and run bank accounts, to save and to manage savings. Since government banks will not do this, new private banks should be licensed to serve these people.

**28 Bill Emmott**
A boycott of the Beijing Olympics will be an act of hypocrisy for many countries.

**39 Srikanth Srinivas**
Most people are still guessing when it comes to inflation.

**46 Gurbir Singh**
Broadcasters and advertisers fear ratings coming under government control.

## BW & YOU

**08 FEEDBACK**

**53 CASE STUDY**

**76 BW OPINION**


Cover Design by Jyoti Thapa Mani

**BWonline**
**businessworld.in**
WEB EXCLUSIVES

Inflation, really?
Despite inflation, for some, life is business as usual, reports Laisram Indira.

TechnoCool
Jabber with Jabra's slew of Bluetooth devices, says Tushar Kanwar.

Total No. of pages including cover: 78

METAL PRICES

# Price Of A Strategy

**User industries are at the receiving end of Hindalco's pricing strategy**

SANJIT KUNDU

**ROLLING PRICES:** Hindalco has revised prices for the third time in about a month

MAKE HAY WHILE THE sun shines appears to be the abiding motto of our industries as they sacrifice long-term relationships for immediate profits. The $2.6-billion Hindalco, one of Asia's largest primary aluminium makers, has revised its pricing the third time in about a month, creating uncertainty for user industries such as auto-making, packaging and construction.

Until March, the Aditya Birla company used to charge buyers the price quoted on the London Metal Exchange (LME) at the beginning of a month. Then it began setting prices twice a month. Last week, it told buyers that the price would be set daily based on LME quotes, but it would average prices out at the end of the month and issue either a credit note or debit note depending on who owes whom.

Other producers, such as Nalco and Balco, might also follow suit. "How on earth will we price our products if we don't know what the price of the input is going to be?" asks Ashok Taneja, president of Shriram Pistons and Rings. When contacted, a Hindalco spokesperson refused to comment on their pricing strategy.

Taneja has a point. Users are asking only for reasonable stability — three to six months — in input costs. If raw material suppliers continue to change prices frequently, buyers will be on shaky ground. One way out for users is to use futures and options on metal exchanges. But small firms don't have the wherewithal to trade on exchanges.

Taneja says many component makers are unable to sign new export orders because of uncertain input costs. That does not bode well for the industry.

*Dinesh Narayanan*

**10** **trillion dollars. The worth of sovereign funds by 2013, according to the International Monetary Fund.**

**QUOTE OF THE WEEK** **"We shouldn't fool ourselves. We cannot pretend there has been no reputational damage."**

— PETER KURER, THE NEW CHAIRMAN OF UBS

**ANIMATION**

# Growing Up

**Turner has realised that it needs an Indian partner to grow in India**

TURNER, A DIVISION OF Time Warner, has quietly upped its ante in India. It has just announced the creation of an animation unit in India that will produce theatrical movies. It will also bring a Hollywood movie and an English television series channel. Almost eight years ago, the Turner Classic Movies channel had shut down. "The market for such a channel has now matured in India," says Steve Marcopoto, president of Turner Broadcasting Asia.

This comes on the heels of Turner going into a 50:50 venture to launch a Hindi general entertainment channel with the Alva Brothers, and taking a 30 per cent stake in Alva's content company, Miditech.

Turner had so far gone it alone in India with its two kids' channels. To grow, Turner realised an Indian partner for the Hindi entertainment space was necessary. Marcopoto is noncommittal on what took Turner so long to spread its wings, but he says now it would do so with gusto.

Turner's decision to create a hub for animation development in India is significant, but animation has been a troubled segment in India. It is still nowhere near the $1.5 billion that Nasscom predicted, and start-ups launched by UTV and Zee have closed down failing to make the grade. The triumph of hope over experience?

*Gurbir Singh*

BLOOMBERG

**NAME OF THE GAME:** Turner's decision to create a hub for the troubled animation segment in India is seen as risky

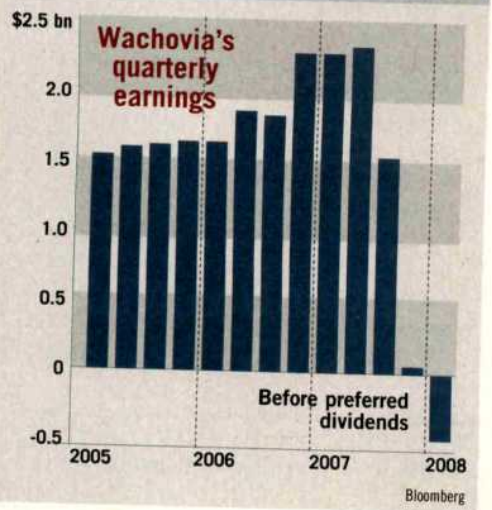
## Global NEWS

BLOOMBERG

**Hollywood strikes**
Two months after Hollywood screenwriters ended their strike, film and TV actors are preparing to follow suit. The Screen Actors Guild, which has about 120,000 members, are negotiating a new three-year contract covering movies and prime-time television with movie and television producers.

## WACHOVIA WILTS

The fourth largest US Bank reported an unexpected loss due to the subprime fallout




**STOCKMARKETS**

# CREATIVE ADVENTURE

A RECENT ADVERTISEMENT IN NEWSpapers by Sharekhan — one of the largest brokerage firms in India — has raised questions of misconduct. The ad compares the stockmarket to a warehouse sale, with pictures of shoes, cars and shirts with tags attached reading '65 per cent off'. "The stocks of some of India's best managed firms are currently selling at a discount to their fair market value," it says. It also offers readers a report on "8 stocks to buy in this market".

Creative, but against the rules? The stock exchanges' advertising code says that a broker's ad should not contain recommendations on a particular stock. A Sharekhan official told *BW* that it had got the two exchanges' approval before releasing the ad.

An NSE official confirmed to *BW* that this particular ad had come to it for approval in mid-March and that it cleared the ad on the understanding that the eight stocks will be revealed to callers only if they become Sharekhan's clients first.

*Rajesh Gajra*

## NEPAL TURNS RED

Thousands of supporters of Nepal's Maoist party await results outside a vote counting centre on 12 April 2008 in Kathmandu. Nepal's Maoist party made a strong showing in early election returns, though a complete count of votes in all 240 constituencies was expected to take several weeks.

AP

**AVIATION**

# Larger Than Life

BLOOMBERG

**ON THE ANVIL:** The Delta-Northwest deal could trigger similar deals

THE PROPOSED MERGER between Delta Air Lines and Northwest Airlines will create the world's largest airline company. The new company, worth $17.7 billion, will be based in Atlanta.

The two airlines cite rising oil prices as the prime reason for the merger. Both firms emerged from bankruptcy last year.

Analysts predict that the Delta-Northwest deal could trigger similar mergers between other airlines. Continental Airlines and United Airlines are rumoured to be in such talks. Four smaller US airlines — Frontier, Skybus, Aloha and ATA — which recently entered bankruptcy protection, may also be tempted to consolidate. If these mergers take place, global airfares could rise once the combined entities gain a stranglehold over routes.

*Pierre Mario Fitter*

**ENVIRONMENT**

BLOOMBERG

## Saving the turtles

TATA'S PROPOSED PORT IN ORISSA HAS environmentalists crying foul. A coalition of Indian conservationists — Wildlife Protection Society of India, the Wildlife Society of Orissa and Greenpeace India — has called on Tatas to reconsider the Dhamra Deepwater Port in Orissa, citing the threat it poses to endangered sea turtles. Tatas, however, maintains that the studies conducted before the construction began say that the project won't affect the turtle population in the area.

**Reality Check**

**India could be the second largest producer of natural gas in Asia by 2020, according to McKinsey's latest study *Gas in 2020: A Perspective.***

OLYMPICS

# CARBON GAMES

IN AN EFFORT TO HOST A Green Olympics, Beijing's Organizing Committee for the Games has left no stone unturned to create an environment-friendly Olympic village. Solar energy and reclaimed water-heat pump air-conditioning systems will cut electricity consumption by 40 per cent.

AP

To give Beijing a facelift, polluting factories have been relocated, while neighbouring provinces are being sucked dry of water. And talk about going overboard. To ensure rain-free events at the open air National Olympic Stadium 30 aircraft, 7,113 anti-aircraft guns and 4,991 rocket launchers are assigned to chemically seed clouds to shed their water before reaching the stadium. And spreading the good word of the Green Olympics is the Olympic torch relayed internationally by its own private Air China jet, leaving behind a 5,000-tonne carbon footprint.

*Manashwi*

## TOP 10 LISTINGS

THE WORLD'S BIGGEST COMPANIES

| | | |
|---|---|---|
| 1 | HSBC Holdings | UK |
| 2 | General Electric | US |
| 3 | Bank of America | US |
| 4 | JPMorgan Chase | US |
| 5 | Exxon Mobil | US |
| 6 | Royal Dutch Shell | Netherlands |
| 7 | BP | UK |
| 8 | Toyota Motors | Japan |
| 9 | ING Group | Netherlands |
| 10 | Berkshire Hathaway | US |

Source: The Forbes Global 2000 rankings

**FIIs want to get the Sebi order on cash market trade margins rescinded**

STOCKMARKETS

# Fair Pay

FOREIGN INSTITUTIONAL investors (FIIs) are applying pressure on Sebi to rescind its 19 March circular, which makes it compulsory for them to pay margins on cash market trades from 21 April.

In a meeting with FII representatives and custodians, Sebi Chairman C.B. Bhave said there would be no going back on the imposition of margins, but he was open to allowing them to use their funds' shares as margins instead of cash.

FIIs claim they do not pay margins in other markets. But Sebi's stand is that the cash market margining on Indian exchanges will operate the same way as in other markets — exchanges collect margins on net open positions of brokers regardless of whether the brokers are doing institutional trades.

Settlement risks — which margins are meant to address — are investor-type neutral. So, if retail and non-institutional investors can pay up, so can FIIs.

*Rajesh Gajra*

Mona Darling! 17 Sheher Hamein Kis Naam Se Jaante Hain?

FARMER SUICIDES

# The Agony Continues

**Despite loan waivers, farmer suicides continue unabated**

REUTERS

**HARD LESSONS:** Poor farmers are still in the grip of greedy moneylenders

LACKING ADEQUATE irrigation and remunerative support prices, the Indian farmer continues to suffer at the hands of an uncaring bureaucracy, manipulative politicians and avaricious moneylenders.

More than 280 farmers have committed suicide in Maharashtra's Vidarbha district since January. The government says that more than 100,000 have killed themselves between 1997 and 2005.

In Vidarbha, the main cause of suicide is indebtedness to moneylenders, who often charge interest rates of up to 40 per cent on loans.

Though the government has announced a Rs 3,750-crore aid package for indebted farmers, and a Rs 60,000-crore write-off of small farmer loans held by public sector banks, these do not offer any relief to farmers who have taken loans from traditional moneylenders. In fact, 116 farmers in Vidarbha have committed suicide since New Delhi announced its loan waiver.

Both, the state governments and the Centre have also shied away from using existing usury laws to go after the moneylenders, who often hold powerful positions in political parties.

Given the global rise in food prices, which is enriching farmers in countries such as Australia, Brazil and the US, various farmer organisations, such as the Vidarbha Jan Andolan Samiti, are pressing the government to raise the domestic support prices on crops. But New Delhi is refusing to budge.

*BW Bureau*

ENVIRONMENT

# Emission Standards

**China has surpassed the US as the world's largest carbon emitter**

BLOOMBERG

ACCORDING TO RECENT reports from The Netherlands Environmental Assessment Agency and the University of California, Berkeley, China overtook the US as the world's largest carbon emitter in 2006.

However, China maintains that total emissions is the wrong statistic to measure a country's carbon footprint and advocate emissions per person instead. In which case, tiny countries such as Luxembourg, with the highest standards of living and therefore high per capita carbon emissions, would be most responsible for climate change! China emits 6.2 billion tonnes of carbon each year.

India's argument is similar to that of China. With 1.4 billion tonnes of carbon emitted per year, the country is the world's fourth worst polluter, and its carbon footprint is continuously growing.

Since India projects itself as an Asian powerhouse and seeks a UN Security Council seat, its duplicitous posturing over climate change may have to end soon.

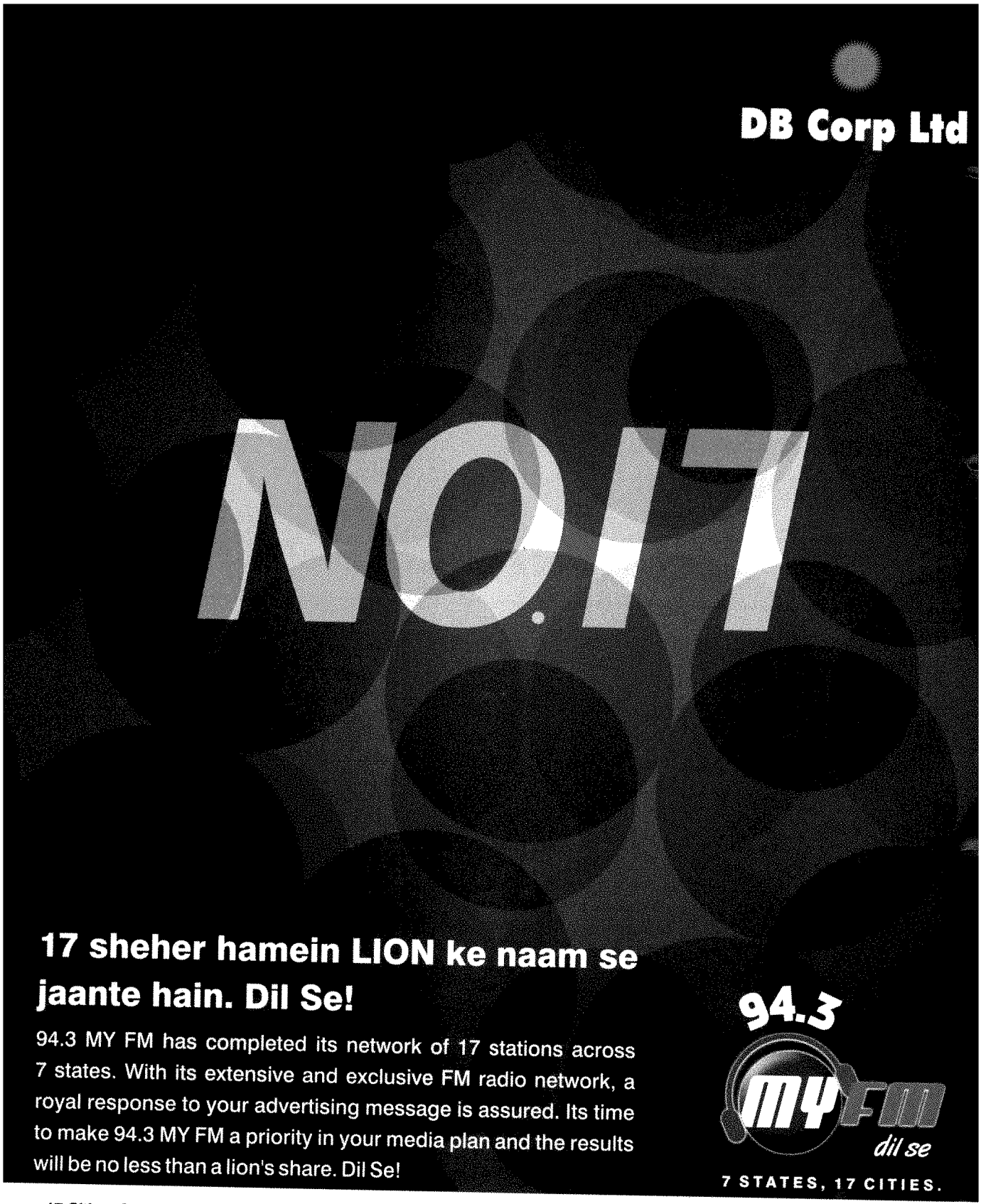
*Pierre Mario Fitter*

Techno BYTES

**Testing times**

**The Boeing Company is partnering with Computational Research Laboratory (CRL), a subsidiary of the Tata Group, to test and validate Eka System, the fourth fastest supercomputer in the world and the fastest in Asia. Boeing has shared information with CRL on the processes needed to conduct numerical simulations on high lift aerodynamics.**

**2.1** billion dollars. The amount the US provided in food aid in 2007.




**17 Cities: Chandigarh, Jaipur, Ahmedabad, Nagpur, Indore, Raipur, Bhopal, Surat, Gwalior, Amritsar, Udaipur, Jalandhar, Ajmer, Jodhpur, Kota, Bilaspur and Jabalpur. 7 States: Punjab, Haryana, Rajasthan, Madhya Pradesh, Chattisgarh, Gujarat, Maharashtra.**

DB Corp Limited proposes, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus (DRHP) with the Securities and Exchange Board of India (SEBI). The DRHP is available on the website of the SEBI at www.sebi.gov.in as well as on the websites of the book running lead managers at www.enam.com, www.citibank.co.in and www.kotak.com. Investors should note that an investment in equity shares involves a high degree of risk and for details relating to the same, please refer to the section titled "Risk Factors™ of the DRHP.

# Fianchetto

The week's strategic moves and the movers who made the

SANJIT KUNDU

### Dhoot's cash & carry biz

The Venugopal N. Dhoot-promoted Videocon Group is eyeing the wholesale cash and carry business. The Mumbai-based company plans to set up 60 Cash & Carry stores at an investment of Rs 2,000 crore over the next three years. Dhoot hopes the business will contribute Rs 6,000 crore to the roup's overall sales by 2013.

### L&T's defence edge

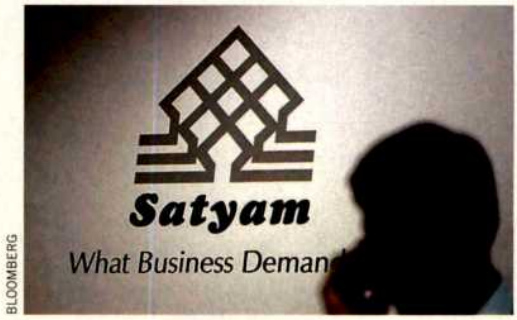
Larsen & Toubro (L&T), the only private sector company to hold a licence to manufacture vessels for defence applications, and Tamil Nadu Industrial Development Corporation will jointly invest Rs 3,068 crore in an integrated ship building and port facility at Tiruvallur, north of Chennai.

The shipyard will be equipped with facilities for refitting and re-engineering of commercial and defence vessels, and heavy engineering fabrication and components production for ship building purposes. Construction of the shipyard will start by end-2008 and complete by end-2010 or early 2011.

### Satyam's Australian dream

Hyderabad-based software major Satyam Computer Services will set up a new campus at the Geelong Technology Precint, Victoria, Australia.

The 25-acre campus in Victoria would accommodate 2,000 employees over the next few years. This will buttress the company's presence in Australia — Satyam already has presence across the major cities of Sydney, Melbourne, Brisbane and Canberra with a workforce of over 1,400. The campus will house a software development centre and facilities for training, and research and development.




BLOOMBERG

### CEAT ramps up capacity

Mumbai-based tyre maker CEAT will invest Rs 1,000 crore to set up two greenfield facilities to make radial tyres for trucks and cars and other speciality tyres.

While the first plant will come up at Ambarnath, near Mumbai, the location for the second one is yet to be decided.

Once both the plants are up and running, the additional facilities will raise CEAT's capacity from 10 million to 15 million tyres per annum.

### Infy slows down

Expecting slow growth in the first two quarters, Infosys Technologies will hire only 25,000 candidates this fiscal — 8,000 less than last year. The company spends about Rs 700 crore every year towards training its employees.

DEALTRACKER

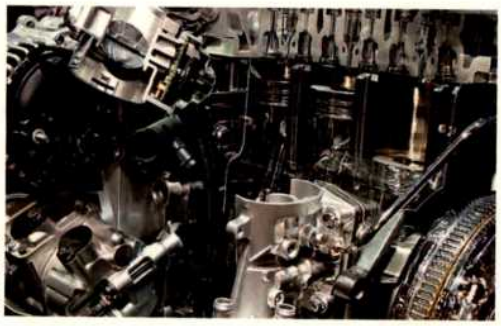
## BW-THOMSON FINANCIAL PE TRACKER

**March-April** The Asian PE market saw 230 deals worth $2.14 billion as on 13 April 2008. China was the largest market in the region with 69 deals worth $783.7 million.

Top 10 India deals

| TARGET | INVESTOR | INVESTOR NATION | DEAL SIZE ($M) |
|---|---|---|---|
| Jubilant Organosys | General Atlantic | US | 255.00 |
| Kitply Industries | ADM Capital | Hong Kong | 30.10 |
| Lemon Tree Hotels | Kotak Mahindra Investments, Shinsei Bank | India, Japan | 30.00 |
| Aryan Coal Benefactions | Warburg Pincus | US | 25.09 |
| Amalgamated Bean Coffee Trading Co. | Darby Overseas Investments | US | 25.00 |
| Percept | Future Capital Holdings, Undisclosed investor | India US | 16.33 |
| Emergent Ventures India | IDFC Private Equity Co. | India | 10.04 |
| Mindteck (India) | Undisclosed non venture firm | US | 7.47 |
| Mkhoj Solutions | Sherpalo Ventures, Kleiner Perkins Caufield & Byers | US | 7.10 |
| Coastal Projects | Sequoia Capital, Fidelity Investments | US | 4.02 |

Figures for 30 March-12 April 2008



AMIT VERMA

### Global designs

New Delhi-based Argentum Engineering Design (AED) has signed an agreement with Dassault Systems, a global leader in 3D product lifecycle management, for designing and engineering of engine components for global automotive original equipment manufacturers (OEM).

Paris-based Dassault will extend its expertise to the AED's Centre of Excellence in Greater Noida, near New Delhi. The tie-up can catapult AED from being a contract manufacturer of auto components to an engineering service provider for global OEMs.

### Brand value

Pharma major Nicholas Piramal India (NPIL) has acquired Anafortan and CEFI drug brands from Mumbai-based Khandelwal Labs (K-Lab) for Rs 116 crore. Under the agreement, K-Lab will allow NPIL the use of certain patents with non-compete assurances for the two cefixime and Camylofin based drugs.

The two drug groups generated revenues of Rs 49.1 crore, with operating margins of Rs 20.7 crore for the financial year ended 31 March.

### Jet Air's Gulf plans

Jet Airways plans to expand its low-cost airline JetLite into Gulf routes this year. The airline is in advanced talks to get rights to fly to the Gulf states Abu Dhabi, Dubai and Muscat. By 2010, Jet Airways — which flies to 16 international destinations — expects international revenues to contribute 50 per cent of total revenues from the current 30 per cent.

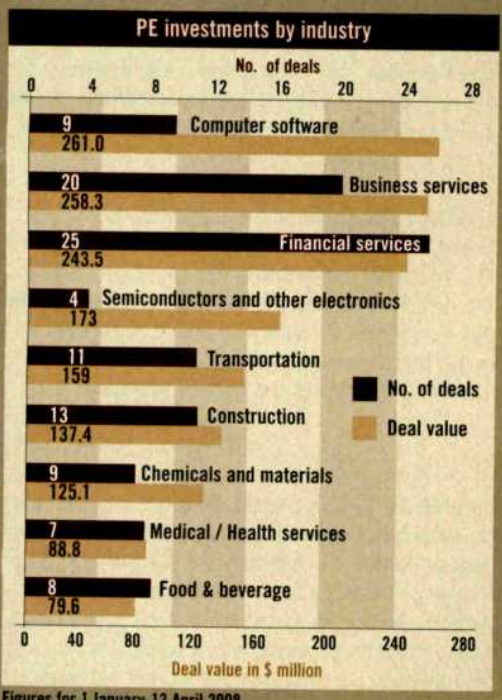
### JK Tyres goes for the kill

Delhi-based JK Tyres has acquired Mexican tyre maker Tornel for Rs 270 crore. This acquisition makes JK the largest four-wheeler tyres firm with a combined capacity of 940 tonnes per day. This also gives JK Tyres strategic access to the emerging economies of Central and South America.

SUBHABRATA DAS

### Ranbaxy's gain

Ranbaxy Labs has reached an out of court settlement with AstraZeneca, UK's second largest drug maker. Now, Ranbaxy will be allowed to start selling a generic version of Nexium, under licence from AstraZeneca, from May 2014. Ranbaxy will also be allowed to make some of Astrazeneca's Nexium supplies for the US market from May 2010.




Figures for 1 January-13 April 2008

**Top 10 Asia deals**

| TARGET | TARGET NATION | INVESTOR | INVESTOR NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Jubilant Organosys | India | General Atlantic | US | 255.00 |
| Zhejiang Chaowei Power Co. | China | Lehman Brothers, Undisclosed investor | US, China | 30.70 |
| Kitply Industries | India | ADM Capital | Hong Kong | 30.10 |
| Advision Media Holdings | China | SAIF Partners | Hong Kong | 30.00 |
| Lemon Tree Hotels | India | Kotak Mahindra Investments, Shinsei Bank | India, Japan | 30.00 |
| Global Market Group | Hong Kong | NIF SMBC Ventures Co., JAFCO Investment, Undisclosed investor | Japan, Singapore, US | 30.00 |
| Zhejiang C.Straits Food Chain Co. | China | Whitesun Equity Partners, Goldman, Sachs & Co. | Taiwan, US | 30.00 |
| Shanxi United Magnesium Industry Co. | China | Merrill Lynch Capital Partners | US | 30.00 |
| Aryan Coal Benefactions | India | Warburg Pincus | US | 25.09 |
| Guangzhou Consun Pharmaceutical Co. | China | Hony Capital | China | 25.71 |

Figures for 30 March-12 April 2008

Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list

# Quick Take

# Given the Tibet crisis, and China's snubs, should we boycott the Olympic opening ceremony?

**We asked...** Radha Kumar, Director, Nelson Mandela Center for Peace and Conflict Resolution, Jamia Milia Islamia; Amita V. Joseph, Legal Advisor, Business and Community Foundation; Ishrat Aziz, Pres., Association of Indian Diplomats; Vaybhav Singh, Creative Director, McCann-Erickson India; Pawan Gulani, Product Mgr, Consumer Lending, Reliance Retail; Apurv Pandit, Editor, Pagalguy.com; Vijay Pratap, Convenor, South Asian Dialogue on Ecological Democracy; Yavnika Khanna, Analyst, Strategy and Planning, Solutions Digitas; Moraad A. Khan, former shooter and Arjuna Award winner; Amod Verma, Engineer, Qualcomm

"We must express our solidarity towards the Tibetans and take a firm stand on the issue."

**Pawan Gulani, Product Manager, Consumer Lending, Reliance Retail**

"Sports and politics should be kept separate; there are other fora for taking such stands."

**Vaybhav Singh, Creative Director, McCann-Erickson India**

"While banning protests initially was wrong, the present approach of the government is fine."

**Radha Kumar, Director, NMCPCR, Jamia Milia Islamia University**

## Yes 40%

**YES BECAUSE:** Ever since the latest round of protests in Tibet began about a month and a half ago, India's stance on the issue has come under sharp criticism, especially from the media and the civil society. It has often been said that India is simply pandering to the Chinese for its vested interests, thus compromising on its principles. Yet, despite all its blatant support to the Chinese government, India has often been snubbed by Beijing over disputes such as the one over Arunachal Pradesh. In the light of this, a few of our respondents were of the view that it was time that India took a firm stand against China's treatment of Tibetans. Not sending its officials to the coming Beijing Olympics would thus be an apt way for India to express solidarity with the Tibetans and save face at international platforms.

## No 40%

**NO BECAUSE:** A majority of our respondents believed that while it was important to express one's solidarity towards a good cause, one should be careful as to not get carried away. There would be a lot on stake in terms of India's relations with China if India decided to boycott the Beijing Olympics. It may seem like the right thing to do at a time when China has received flak from the whole world over the Tibet issue, but it would only endanger the long-term trade prospects of India with China. Another view that was quite strongly put across by some respondents was that Olympics shouldn't be used as a political tool for expressing one's views. They felt it would be best if sports and politics were kept separate.

## Maybe 20%

**MAYBE BECAUSE:** Some respondents felt that it would be inappropriate for India to take a stand against China all of a sudden after having a non-committal stance all this while. While it would be nice to see India openly oppose the treatment of Tibetans by China by boycotting the Olympics, it would be better if before taking such a step, it showed some consistency in its stance regarding the issue. Also, one view was that though boycotting the Olympics was no real solution to the Tibet issue, it was a good platform to start dialogue on the subject in the international arena, which would also put greater pressure on China. But great care should be taken to make sure that the boycott did not seem like a concerted effort to embarrass China.

# More On Inflation

**by omkar goswami**

GLOBAL AGRICULTURAL AND FOOD INFLATION has become a hot topic since I wrote about four weeks ago. Every magazine and newspaper worth the name are writing on it on a daily basis — which isn't surprising with wholesale price index (WPI) inflation rising from early February 2008 and crossing the 7 per cent mark from 22 March.

How many times have we been in the 7 per cent plus territory since April 1995? Excluding the present, we have been there on three significant and two minor occasions since 1995-96. Let me tell you of the major ones.

The first of the three was India's earliest post-liberalisation inflationary spell. It was a long one, and continued up to April 1996. RBI Governor Dr. C. Rangarajan hugely hiked interest rates and tightened credit for quite a while. His moves, while they brought down inflation, choked off growth from 1997-98 to 2002-03. The second instance was between 30 September 2000 to 24 February 2001, triggered by a major hike in fuel prices. It was a 'base effect' inflation — namely, higher prices being measured against a relatively low base. While it gave Mr. Yashwant Sinha some hairy moments in Parliament, the BJP-led government scraped through. The third was between 26 June and 4 December 2004, spurred by double-digit growth in fuel prices and over 7 per cent growth in the price of manufactures. It was a time when India was ticking and industry was in a boom; when asset prices had begun to rise; and when input prices could be passed on. It was when Dr. Y.V. Reddy rang his first warning bells.

**While we have been there before, things are worrying. With little that the government can do**

So, we have been there, and escaped without too much economic damage, especially on the last two occasions. Why then should we be more concerned this time?

Because it is election year; and because of what this bout of inflation can do to household food items. To track this episode of food price inflation, I have created a simple Household Food Price Index (HFPI) that comprises rice, wheat, pulses, salt, sugar, spices, edible oils, milk, fruit, vegetables, eggs, fish and meat. Being a wholesale food price index, and not a retail one, it can under-report inflation. Even so, this is what it says:

- Inflation of household food articles is much sharper and more volatile than that of overall WPI. In inflationary periods, household food prices shoot up much more than WPI.
- From April 2001, household food inflation has been steadily trending upwards. Yes, there have been cycles. But the trend is clearly positive.
- As of 29 March, the HPFI inflation was 7.6 per cent and rising. Edible oil prices were up by over 20 per cent; vegetables were at over 15 per cent; milk prices were up by almost 8 per cent; and rice by 8.2 per cent.

Now superimpose a very grim global cereal situation. A recent Food and Agriculture Organisation brief (FAO, Crop Prospects and Food Situation, April 2008) says that while global wheat production is expected to be 6.8 per cent higher in 2008 than 2007, and rice 1.8 per cent greater, higher consumption in Asia and historically low global stock levels will maintain pressure on prices. By 2008, world cereal stocks are expected to fall by 5 per cent to 405 million metric tons (MT) - down from their already reduced level at the start of the season, and the lowest stock in the last 25 years.

Wheat prices have risen by 45 per cent - from $332 per MT in November 2007 to $481 in March 2008. Thai rice is up by 58 per cent, from $358 per MT to $567 over the same period. The FAO global food price index in March 2008 was 57 per cent higher than a year earlier. And the FAO edible oils/fats index in the first quarter of 2008 was 98 per cent above the corresponding value in 2007.

We haven't seen such global food price hikes before; and there is no evidence of these significantly easing off in the near future. Also, there is little that the government can do. It has already banned exports of edible oils, pulses, non-basmati rice and wheat. It can further cut customs duties on all key food items to zero. It can import high priced global wheat and rice and subsidise these for the poor. The RBI can raise CRR by 50 basis points, though fat lot of good that will do to reducing food inflation. Rapid currency appreciation is out — exporters will cry blue murder, and it isn't easy to take the rupee up very fast to something like Rs 36 per US dollar, without which there will be no effect on prices. And the more you ban, the greater you create a market for hoarding and panic.

Pray. So that El Nino or any other global warning weather freak doesn't further play tricks. If that happens, there will be hell to pay.

The author is chairman of CERG Advisory.
*omkar.goswami@cergindia.com*

# For Whom The Bells Toll

**by Gauri Kamath**

**Another report links brain tumours to mobile phones**

ONE MORE REPORT JUST GOT ADDED TO THE RISING stack analysing the link between cellular phones and cancer. India-born Gautam Khurana, a neurosurgeon at Australia's Canberra Hospital, recently ended a 14-month review of over 100 sources of medical and scientific literature, press reports and internet content. He concludes that exposure to electromagnetic radiation from mobile phone handsets and base stations poses a greater public health hazard than smoking and asbestos. "The link between mobile phones and brain tumours should no longer be regarded as a myth," warns Khurana in the 69-page report titled Mobile Phones and Brain Tumours — A Public Health Concern. "(There is a) significant and increasing body of evidence to suggest links."

In 2007, Khurana, the Mayo Clinic-trained doctor, with over 30 papers in half as many years to his credit, successfully performed the world's first brain keyhole surgery. It is, therefore, difficult to dismiss his latest indictment of mobile telephony as sloppy research.

New Delhi's Association of Unified Telecom Service Providers of India (Auspi) and Cellular Operators Association of India (COAI), each independently, drew *BW*'s attention to reports quoting ARPANSA, an Australian government agency responsible for radiation protection, as calling Khurana's research "anecdotal", not "scientific". The agency said it would rather put its weight behind "peer-reviewed, scientific studies" that had yet to prove the link. "Khurana is a neurosurgeon and not a researcher," says T.V. Ramachandran, director general of COAI, in his e-mail to *BW*. "This study/review has been widely criticised by the international scientific community as being 'biased' and 'one-sided' as it does not present a balanced analysis considering the relative scientific quality of different studies."

In another e-mail to *BW*, Khurana responded to ARPANSA's comment: "If peer-reviewed evidence from a premier scientific community is required, perhaps people/government bodies should consider the BioInitiative report, which has referenced and interpreted over 2,000 peer-reviewed articles in this area." The BioInitiative Working Group comprising experts from medicine, science and public health aims to provide a rationale for human exposure standards to electromagnetic fields (EMFs) that can be deemed safe and acceptable. Its August 2007 report, concluded that the current exposure limits in various countries, whether from mobile phones or other wired and wireless devices such as cordless phones and WI-FI and WI-MAX networks, were inadequate. "The standard-setting processes have little, if any, input from stakeholders outside professional engineering and closely-related commercial interests," the report said.

India is finalising guidelines that limit such exposure from mobile handsets and base stations and is consulting with Auspi, COAI and others. In the meantime, companies follow exposure standards endorsed by the World Health Organization. "Compliance with the existing science-based standards is sufficient to protect public health," says Ramachandran.

While the debate continues, it is prudent to take precautions, says Srinivas Kakkilaya, a doctor from Mangalore, Karnataka. Kakkilaya and five other doctors wrote to Union Health Minister Anbumani Ramadoss last month asking for a ban on using children in mobile phone commercials. The doctors believe that since a child's brain is still growing, the impact of EMFs could conceivably be worse than on adults. "We are not asking for mobiles to be banned," emphasises Kakkilaya has forbidden his 14-year-old son from using one. Adults too can take steps, like using a landline to make calls, diverting mobile calls landlines, and using the speaker or wired 'hands-free' kit (not Bluetooth ear pieces), he says.

*gauri.kamath@abp.in*

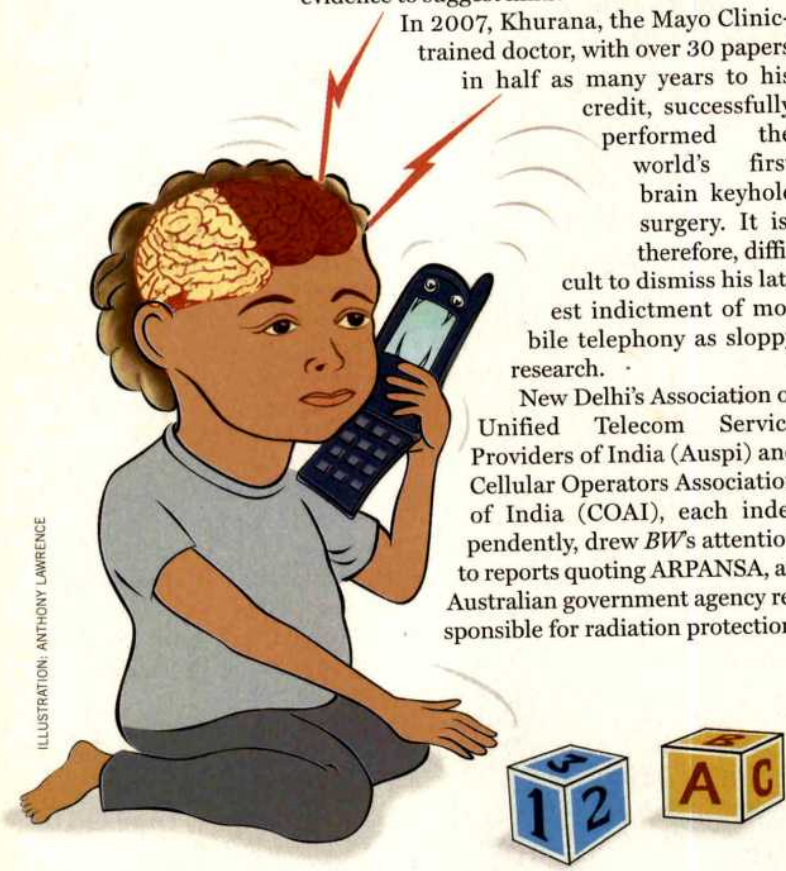
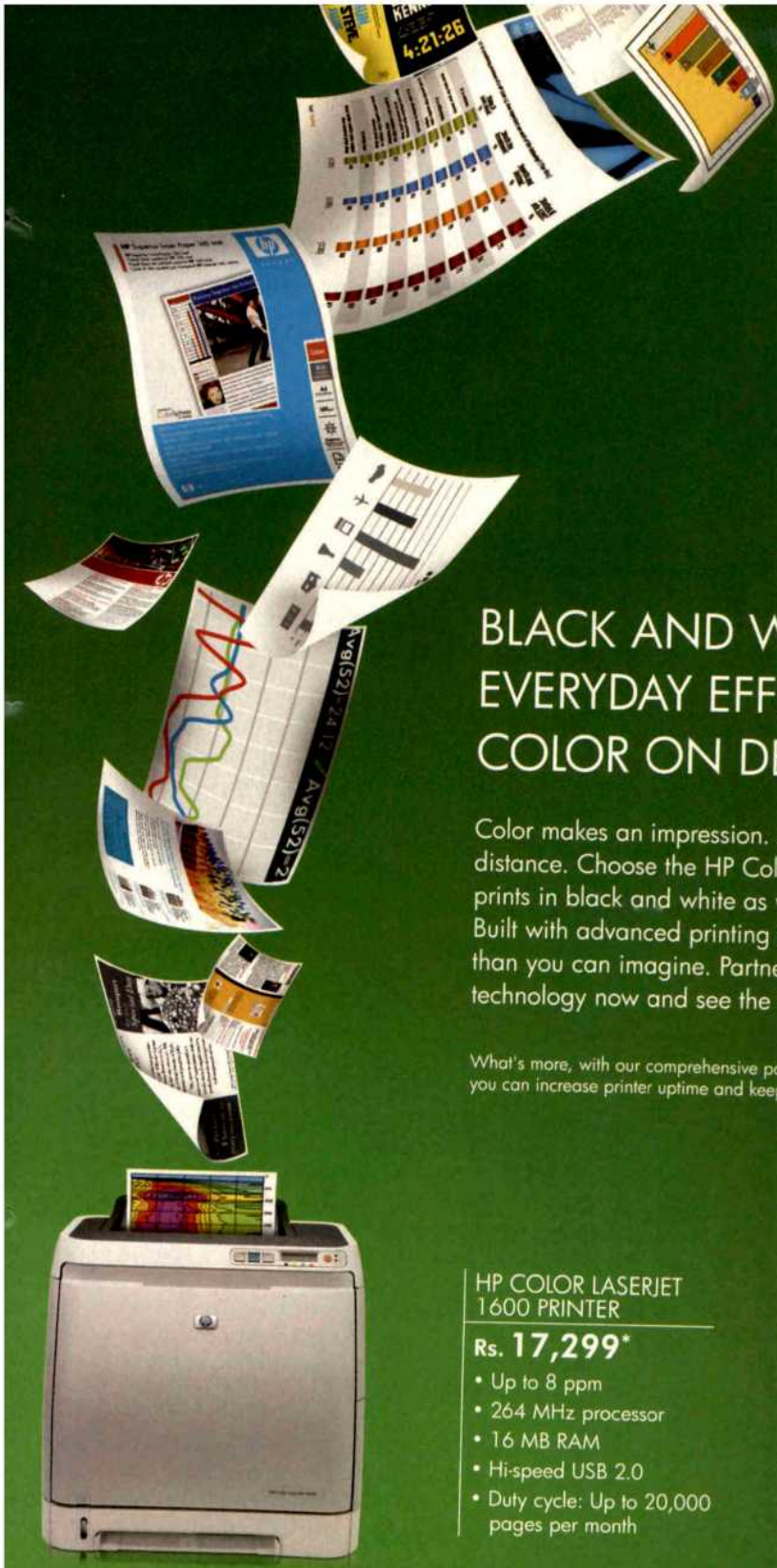



ILLUSTRATION: ANTHONY LAWRENCE



# BLACK AND WHITE FOR EVERYDAY EFFICIENT PRINTING. COLOR ON DEMAND.

Color makes an impression. And black and white goes the distance. Choose the HP Color LaserJet 1600 Printer and take prints in black and white as well as color from a single machine. Built with advanced printing technology, this printer offers more than you can imagine. Partner with the best in color laser technology now and see the difference in the long run.

What's more, with our comprehensive portfolio of HP Care Pack service, you can increase printer uptime and keep operating costs low.

HP COLOR LASERJET 1600 PRINTER

**Rs. 17,299***

- Up to 8 ppm
- 264 MHz processor
- 16 MB RAM
- Hi-speed USB 2.0
- Duty cycle: Up to 20,000 pages per month

SMS **"LY3"** to **57575**
Call **1800 4254 999** (toll free, from MTNL/BSNL lines)
or **3030 4499** (from mobile, prefix your STD code)
Visit **www.hp.com/in/laserjet**

WHAT DO YOU HAVE TO SAY?

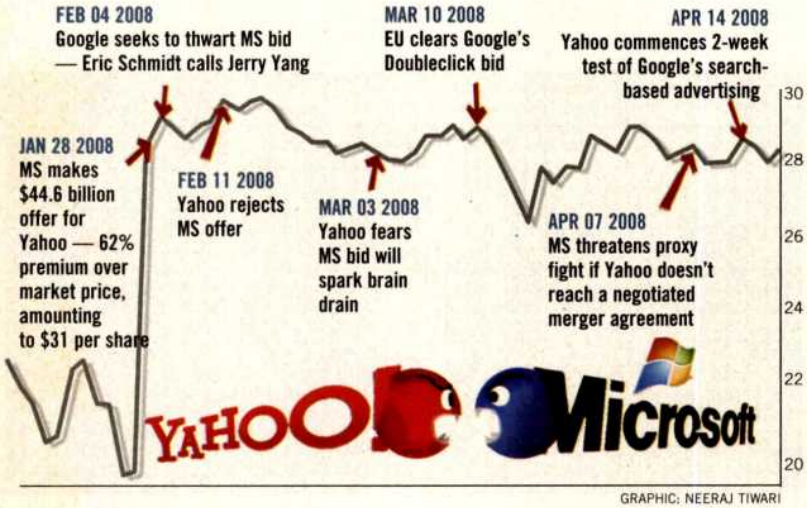
hp

*Est. street price, taxes extra. Conditions apply. The product visual shown may vary from the actual product. © 2008 Hewlett-Packard Development Company, L.P.

# Marriage Of Convenience

**by Manashwi**

## By trial and error




GRAPHIC: NEERAJ TIWARI

**The noise around the prospects for a merger is reaching a crescendo**

THE RICH MAN WANTS TO MARRY THE YOUNG GIRL, but she'd prefer the new kid on the block. Prospective in-laws wait on the sidelines. The current scurrying in Silicon Valley, and the dizzying permutations and combinations of partnerships could easily put a daily soap to shame. There is intrigue, public deals, private offers and swapping partners. Before this corporate marriage — shotgun, or otherwise — is consummated, companies will be contemplating other relationships.

The Microsoft (MS) bid for Yahoo might have appeared to have been initiated solely on the basis of potential ad revenues. An offline giant, trying very hard to make a dent in the online world. Today, however, MS's talks with NewsCorp — initially considered a possible partner for Yahoo! — signal a bigger plan. NewsCorp brings the missing piece to the MS-Yahoo deal: a robust social network, MySpace.

"I don't think it is the big bucks that will win here," says Peter Allen, partner and managing director of Technology Partners Intl. "What will win is the strategic ambition to create something radically different that takes the Web and Web-enabled services to a whole new level of value."

Yahoo too is trying to create value by tying up with Time Warner's AOL and deploying Google's search-based advertising. Mark Mahaney, an analyst with Citi Investment Research, says Yahoo's surprising decision to outsource its advertising business to Google is an "aggressive response" to MS's potential proxy fight. He said it was calculated to "increase pressure on MS to increase its offer price.

UBS AG's Heather Bellini, the top-ranked software analyst by Institutional Investor, feels that an AOL-Yahoo deal is 'unlikely' as Yahoo will have trouble convincing its shareholders that it is more attractive than MS's offer. "(Yahoo's) shares likely would pull back once the buyback is done," Bellin says. "The (AOL) deal likely also includes outsourcing search to Google which stands in stark contrast to management's strategy that combined search and display (advertising) are critical to long-term success."

Google seems well covered. Apart from having the largest slice in the ad revenue pie, it owns a 5 per cent stake in AOL, has a long-term ad partnership with MySpace and has tied up with Salesforce. Google Apps coupled with Salesforce's customer relationship management software enable Google to compete with MS's Office Suite at the enterprise level.

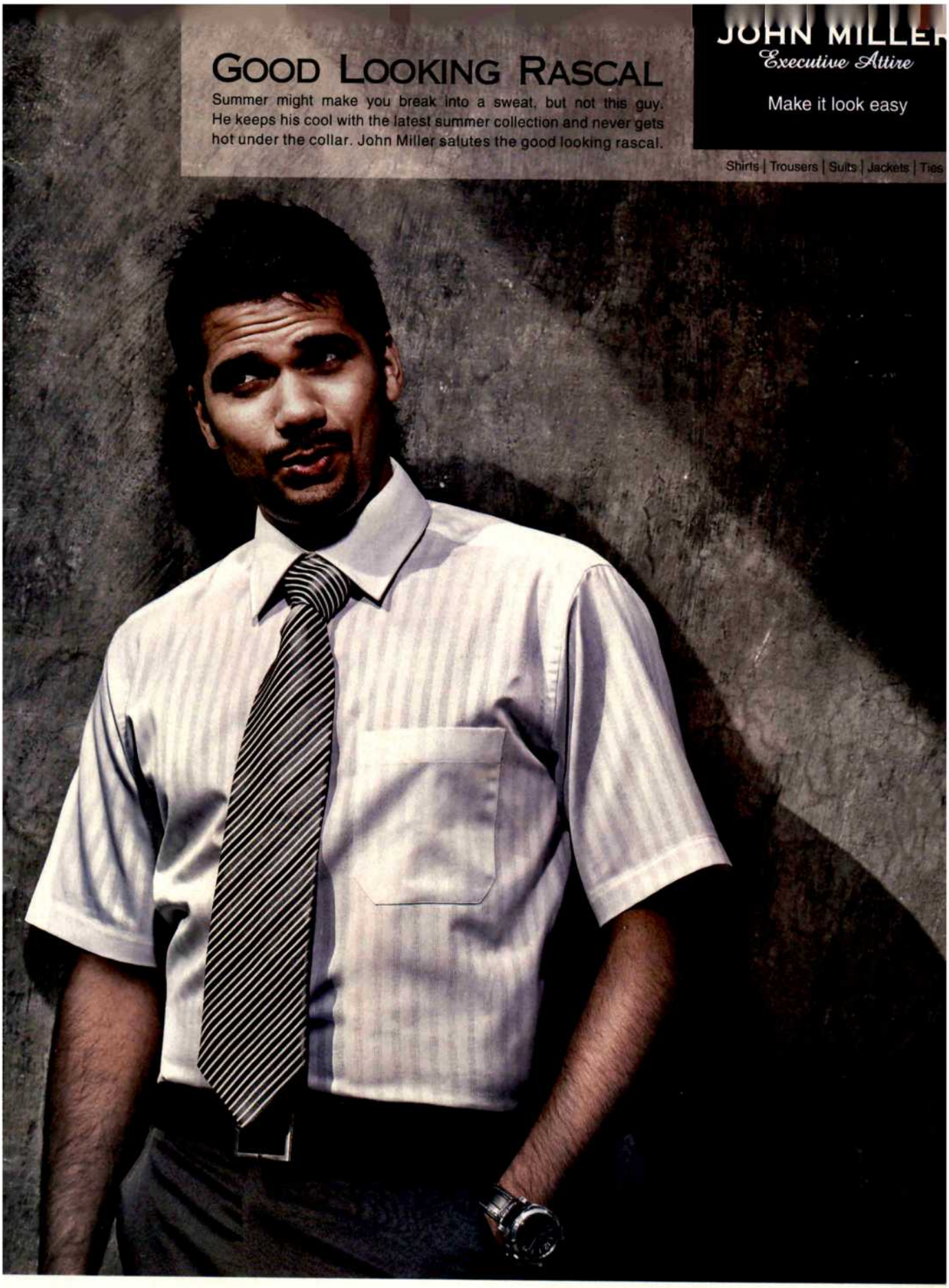
And there are non-technology companies not far behind in covering their bases, too. Capital World Investors increased its stake in Yahoo and has more than 10 per cent as of 31 March making it Yahoo's largest institutional shareholder. On 31 December 2007, it was also the second largest institutional shareholder of MS with about 3 per cent. While most view this as a tactic to gain significant share in the merged entity, Kaustubh Dhavse, program manager, Information Communication & Technology Practice, Frost & Sullivan, South Asia & Middle East, feels, "They are merely ensuring that once the dust settles they have managed to cash in and come away with profits."

One would anticipate the dust to settle as we approach 26 April — MS's deadline to begin a proxy fight to oust the Yahoo board. However there appears to be an increase in the number of those looking to get themselves a good deal. "The bottom line is, within a month, this deal will close. Yahoo will comply so as not to bring upon a hostile bid, and further trouble," says Dhavse. "They will be best advised to cash in before the tide swings against them and their shares start climbing down. Bids by News Corp, AOL, etc. don't count." Wonder who will get to kiss the bashful bride.

---

With inputs from Uttara Choudhary in New York and Dhanya Krishnakumar in Bangalore

*manashwi.banerjee@abp.in*


GOOD LOOKING RASCAL
Summer might make you break into a sweat, but not this guy. He keeps his cool with the latest summer collection and never gets hot under the collar. John Miller salutes the good looking rascal.
JOHN MILLER
Executive Attire
Make it look easy
Shirts | Trousers | Suits | Jackets | Ties
Available at: | pantaloons | CENTRAL |

# The Valley's Fault Lines

**by P. Hari in San Francisco**

**The Valley sits on a bomb and its ripples can shake the world**

FOR RESIDENTS OF THE SAN FRANCISCO BAY AREA IN California, their home is in one of the most agreeable parts of the world. The Bay Area has good weather, beautiful landscape, great job opportunities, and some of the most competitive and resourceful minds in the world to interact with. However, at the back of their minds is a phenomenon that can destroy the tranquility in Silicon Valley: earthquakes.

The Bay Area sits on top of one of the most seismically active zones in the world. Crisscrossing the city, the valley and their neighbourhoods are seven geological fault lines. The great San Francisco earthquake of 1906 had released so much energy from the earth's bowels that it needed time to build up pressure again. So the 20th century was an unusually quiet period seismically. Geophysicists who study the area now say that this may have ended. "I think we are out of the earthquake shadow," says David Schwartz, earthquake geologist at the US Geological Survey (USGS). "The Bay Area can now have a series of large earthquakes years or decades apart."

Economically, these earthquakes can have a disastrous effect on Silicon Valley. Experts estimate that even one earthquake from the about-to-explode Hayward Fault would be a disaster equal in magnitude — if not greater than — the Katrina. It would affect 5 million people, cause property losses of around $165 billion and total economic loss of $1.5 trillion. To put things in perspective, the Katrina caused property damage of $141 billion. This study was done recently by Risk Management Solutions, a software firm in the Bay Area that provides software for risk management. "The Hayward Fault is fully loaded and can go at any time," says Roland Burgmann, seismologist and professor at the University of California in Berkeley, who has been studying the fault for many years now.

This damage is from a single earthquake. Like New Orleans, the Bay Area can recover slowly from even a disaster of this magnitude. But what if it is rocked by a series of quakes? Any of the seven faults in the area can produce earthquakes at any time.

No one can predict when these quakes will happen, except that they can happen sometime in the near future. Will the Bay Area continue to be attractive to investors, corporations and entrepreneurs? Will they trigger a flight of people and capital? Experts here say that it is certainly possible, but we will not know till it happens. "We have never ever had an urban situation anywhere like in the Bay Area," says Schwartz.

According to USGS, the probability of an earthquake on the Hayward Fault is 62 per cent in 30 years. It may already have happened by the time you read this, or it may happen after another 30 years. The average interval between two earthquakes on this fault is 140 years, and we have entered the 140th year after the previous one. However, these are just averages and not precise dates.

An earthquake in Silicon Valley can send ripples throughout the technological and financial world. Bangalore, for example, has deep connections with the Valley. So has many other big technology clusters in the world. Yet, the danger in the state does not end in the Bay Area. The San Andreas Fault runs down south beyond Los Angeles. Its northern part has ruptured many times in the past few hundred years, but the southern part is overdue for another very big earthquake. California, the land of wine and sun, has troubled times ahead.

*p.hari@abp.in*

GRAPHIC: NEERAJ TIWARI

# Enjoy the luxury of a personal swimming pool with every villa.

It's not often that you can mix business with pleasure.
That however should not indicate that your business stay cannot be pleasurable.

A series of self-contained spacious villas that have their own service staff, pool, driveway and garden plus a lot more, Palms Hotel is a revolutionary concept in super luxury business hotels. With a hand-picked group of the world's best professionals at your service, you are sure to get an incomparable experience at Palms Hotel. Near enough to the nerve centre of the city and far enough to be the axis of tranquility, Palms Hotel is just 15 minutes away from Mumbai's International Airport and 20 minutes from the city's bustling IT Zone and industrial hub. So the next time you come to Mumbai, do drop in at Palms Hotel. It's a hotel that'll make you forget that you are in one.

For reservations call
**022 67893000, 9987593000**
**www.palmshotelmumbai.com**

Palms Hotel
MUMBAI

ONE OF THE
GREAT HOTELS
OF THE WORLD

• 109 villas • Close proximity to Mumbai's International Airport • Private deck • Butler service • Modern business centre
• 24 hour Wi-Fi connectivity • Minimum 1000 sq. ft. room area

Royal Palms Estate, 169, Aarey Milk Colony, Goregaon (E), Mumbai 400 065. E-mail: info@palmshotelmumbai.com Fax.: 022 28796666

# Look In The Mirror

**by bill emmott**

**A boycott of the Beijing Olympics or its opening ceremony will be an act of hypocrisy for many countries**

PEOPLE OFTEN SAY THAT SPORT AND POLITICS should not be mixed. But the existence of national sports teams, of globally televised sporting events hosted by single countries, and of simple patriotism guarantees that sport and politics will always get tangled up. In reality, the Olympics is — and always will be — a blend of sport, business, national brand-marketing and politics.

Why else did Japan want to host the Olympics in Tokyo in 1964, or South Korea in Seoul in 1988, if not for political and branding reasons? They were good reasons: to show that the country was modernised, to provide a unifying, popular event for citizens. The same is true of China with the Olympics in Beijing. The question, as the recent riots in Tibet have shown, is whether China's political and branding judgement will prove to have been a correct one in this case.

Undoubtedly, the Beijing Olympics will make Chinese proud and will demonstrate that China is now a modern, economically well-developed country. But they will also be a temptation for dissidents that wish to draw global attention to their complaints. Tibet is an example, but there are others: Muslim separatists in Xinjiang in north-west China, or people campaigning for better protection of human rights, or even people campaigning for better environment protection. In last year's global opinion polls, China got higher approval ratings than the US, largely because of Iraq and because fewer people were paying attention to China and human rights. That tide has turned in more recent polls.

Thanks to the Tibetan riots and the Chinese authorities' decision to suppress them, there is a global debate about a boycott of the Beijing Olympics. An alternative proposal is that government leaders should refuse to attend the opening ceremony on 8 August. In Europe, opinion is divided.

President Nicolas Sarkozy of France has said that if the suppression continues, he will think seriously about staying away from the opening ceremony. Britain's Prime Minister Gordon Brown disagrees: he and his ministers will attend the Games' ceremonies regardless of what happens in Tibet.

Who is right? The first point is that although China claims that talk of a boycott is outrageous, many Games have in fact been boycotted. In 1980, 65 countries stayed away from the Moscow Games in protest over the USSR's invasion of Afghanistan. In 1984, the USSR and its allies boycotted the Los Angeles Games in revenge.

Sometimes, the Olympic Games have even been boycotted as a protest against other competitors. In 1956, Holland, Spain and Switzerland skipped the Melbourne Games in protest over the suppression of an uprising in Hungary by the USSR; four other countries (Cambodia, Egypt, Iraq and Lebanon) stayed away in protest at the attempt by France and Britain to seize control of the recently nationalised Suez Canal in Egypt.

The second point, however, is that member countries of the International Olympic Committee voted in 2001 to give the Games to China. So, they should boycott the Olympics only if something important has changed since then. Tibet has been occupied by China since 1950, and uprisings there have regularly been suppressed. So, it is hard to argue that anything has changed.

A third point is whether governments thinking of boycotting the Games or the opening ceremony might be guilty of hypocrisy if they make such a gesture. Are they, or their allies, occupying any other countries or suppressing a separatist movement? For the US, the UK, Australia, Poland and the other allies that participated in the invasion of Iraq in 2003, any comparison with the actions of China in Tibet would be extremely awkward. The same applies to Israel and its occupation of Palestinian territories.

For all these reasons, the arguments against a boycott are strong. One important principle should, however, be maintained by democratic governments between now and August. An essential part of democratic freedoms in their countries is the right to speak freely and to conduct peaceful demonstrations or rallies. That right should be maintained for pro-Tibet protestors — as long as they are not violent — just as it should be for other groups.

India's government, for example, has surely been wrong to restrict Tibetans' right to hold marches in support of independence. Our democratic freedoms cannot and should not be given away just to please the Chinese. In fact, if they are, then a crucial branding implication of the Olympics will be lost: the distinction, which the protests are making clearer, between an authoritarian state and a democratic one.

The author is a former Editor of *The Economist*.
*policyworld.bw@gmail.com*

# Pictured slightly larger than actual size.

IWC
SCHAFFHAUSEN
SINCE 1868

*lease confirm.*

**Big Pilot's Watch. Ref. 5004:** Your wrist never felt this big before. The case of the top model in the IWC Pilot's Watch range is a gigantic 46.2 mm in diameter. And the technology inside it is even more impressive: the largest IWC-manufactured automatic movement with its Pellaton winding system is protected against strong magnetic fields by a soft-iron inner case. And, needless to say, envious glances. **IWC. Engineered for men.**

*Mechanical IWC-manufactured movement | Automatic Pellaton winding system | Seven days' continuous running (figure) | Power reserve display | Date display | Soft-iron inner case for protection against magnetic fields | Antireflective sapphire glass | Water-resistant 6 bar | Stainless steel*

**New Delhi** - Johnson Watch Company, E-71, South Extension Part-1, Phone: +91 11 2464 2255 / 2464 2299 - Johnson & Company, C-16, Connaught Place, 10001, Phone: +91 11 4151 3121 / 2341 8935 - **Mumbai** – Beyond Luxury, Shop # 6 & 6A, Tirupati Apts, Bhulabhai Desai Road, Mumbai - 400 026, Phone: + 91 22 23511800, + 91 22 23511819 - Ethos, G-27, 28, 39, Ground Floor, Inorbit Mall, Malad (W), 400006, Phone: +91 22 6640 6991 / 2 - **Bangalore** - The Helvetica No A-11 / 12 Galleria Leela, The Leela Palace, Airport Road, 560001, Phone: +91 99 0017 3777 / + 91 80 4152 9393

# Reva Takes C

by Pierre Mario Fitter

I TURN THE KEY IN THE IGNITION and... nothing; no sound of an engine shuddering to life. I look at R. Prakash, one of the engineers who built the car, seated next to me. "Actually, it's on," he says, when he notices my disappointment. He motions for me to press the accelerator. I do that and without the slightest noise or jerk, the Reva-i edges forward.

The story of the Reva Electric Car Company (RECC) is exactly like the experience I had driving its flagship model. The first Reva came to life very quietly. At the time, sceptics didn't believe it would go far. Amidst such cynicism and haphazard support from a reluctant government, RECC has stayed in the game through sheer self-belief.

As I drive the Reva outside RECC's factory in Bommasandra, near Bangalore, passers-by point and stare, curious smiles on their lips. The

**India's electric car, the Reva, is all charged up to drive into the big league of the auto industry**

# harge

smiles are infectious. That's just like the Reva has been; the typical Reva owner isn't so much an owner as a loyal member of a fan club, and its engineers aren't so much engineers as anarchists bent upon unleashing electric vehicle (EV) mania all over the world.

Chetan Kumar Maini, RECC's founder, is a self-confessed "car guy". He believes his little car could change the world — even save it. Electric vehicles (EVs) do not use conventional fossil fuels and, so, do not emit any carbon, a leading cause of climate change. Maini and his father Sudarshan, a 30-year veteran of the auto parts industry, set up RECC in 1994 with help from Lon Bell, the founder of Amerigon, a specialised American auto parts company. The first Reva rolled out after seven years of research.

Although only 2,500 Revas have been sold since 2001, it is already the world's largest selling EV. In a few months, this little-known company will begin the single most ambitious period of its existence. In FY 2008 alone, RECC plans to sell between 3,000 and 5,000 cars, and in 2009, 12,000. RECC also wants to expand sales to 10 and 25 cities by end-2008 and end-2009, respectively. Currently, it sells in six cities.

RECC has invested $22 million of its own money since research began in 1994. In December 2006, it received another $20 million from venture capitalists Draper Fisher Jurveston and the Global Environment Fund. This fresh investment will pay for RECC's big leap — a soon-to-be launched factory — that will take its annual production capacity from 6,000 cars a year to 30,000.

The company will also increase its employee strength from 275 to roughly 350 over the next year. Most of the new employees will work on prototype development, styling, cost reduction and supply chain management. "These areas are critical to RECC's plan of releasing a new model every year for some years to come," says Girish Rakhe, president of RECC's India operations. Maini believes that the demand for energy- and cost-efficient cars will boost his sales.

## Offshoring For Success

Ironically, even as the world seeks fortunes in India, RECC has had to go abroad to find success. India accounts for just 33 per cent of RECC's sales, while 21 countries such as the UK, Norway, Japan and Sri Lanka make up the rest. The UK is the largest of these markets. RECC sold its first Reva here in 2004. Since then, 1,000 G-wizs, as the Reva is called in Britain, have been bought. Part of the G-wiz's success is due to many government-led incentives. Also, the car is sold through the website of RECC's UK partner GoinGreen to keep marketing costs down. Online, customers can request a test drive, and even customise their order.

If a G-wiz experiences problems, a technician drops by with a laptop that connects to the car's on-board computer. This stores up to three years' worth of performance and driving data. Most fixes are made on-the-spot, although bigger problems are referred to RECC's support team back in Bommasandra.

The Reva has also found reasonable success in Norway. Bjornar Teig, the marketing manager of Ole Chr. Bye, RECC's Norwegian partner, expects to sell 500 Revas next year, thanks to a planned expansion in RECC's product line. At present, Teig sells 60 cars a year.

## Unlearning The Old

Back in 1994, the Mainis had few answers to the many questions surrounding mass-produced EVs. Many companies had launched EVs but then mysteriously cancelled these programmes. "We had to look at the end goal and ask how to get there when the solutions weren't available," says Maini, RECC's deputy chairman and chief technological officer.

One major decision was to remove the conveyor belt from the factory. Revas roll through assembly with the wheels already fixed to the chassis. RECC says this lowers capital costs as well as power consumption. Also, the car bodies are plastic instead of metal. Plastic can be pre-impregnated with colour, and is easier to mould. And, because it is dent-proof, repairs after small accidents are cheap. Additionally, plastics mean lighter cars, which reduce the

### Reva versus others

How much you save if you buy Reva.

Savings calculated on initial price differential and operating costs against other cars over five years.

Source: RECC

**EXECUTIVE SUMMARY**

- The Reva, world's largest selling EV, is cheap to run and green, but gets little government support in India
- Seeing rising support from foreign governments, it is now raising production by building a bigger plant, hiring more people and doing better R&D

AMIT VERMA

**A COUPLE OF FANS** Air-India pilot and green technology fan Sanjay Gupta and wife Arti with their Revas in Gurgaon.

load on Reva's eight lead-acid batteries. But some lessons were only learned through experience. RECC had to re-launch the Reva in Delhi in 2002 with an AC after the non-AC model saw weak demand from customers.

### A Loyal Fan-Base

Rimple Dipak, a fashion designer from Faridabad, owns two Revas. "I love it because it's eco-friendly and easy to drive," she says. Due to a medical problem, one of Dipak's legs is weaker than the other. So, when her business expanded, her father decided to gift her a gearless vehicle. The Reva caught his eye.

On rare occasions when Dipak's Reva has had battery problems, despite several power monitoring systems on board, RECC's Delhi pointman Dinesh Mehta has always been at hand with a quick recharge or even a temporary replacement car.

Ganesh Eashwar, a long-time acquaintance of the Mainis, is considering buying a few Revas as delivery vehicles for his organic products business. "I tried it for 10 days and it was so easy to drive and park," he says. "It blends in perfectly with our business philosophy — clean transport for organic food."

WeP Peripherals, a Bangalore-based firm, bought 25 Revas for its staff across India in late 2007. "We wanted a more environment-friendly option," says Jayant Gundewar, chief strategy officer of WeP. "With bikes, our engineers could not carry enough spare parts and were forced to make multiple trips. Now their productivity has increased."

But not all Reva owners are happy. Sanjay Gupta, a pilot with Air India, and owner of two Revas, feels short-changed by the government. "As an owner of an environment-friendly product, I would have liked some incentives," he says. "I don't see any, despite the government constantly harping on global warming." Gupta's interest in the Reva grew from a curiosity in clean technology (he owns a farmhouse that runs only on solar power).

### Shifty Policy

RECC requested the government for tax breaks in the late 1990s. In turn, it received a subsidy on excise duty, but lost it two months after the Reva's launch. Astonishingly, the duty on fossil fuel cars was simultaneously reduced, making these more affordable.

This March, RECC saw a glimmer of hope when Finance Minister P. Chidambaram granted several duty exemptions for EVs as well as select EV components. That hope quickly died while studying the fine print. Due to excise exemptions, and zero duty on the final product, the eligibility for CENVAT credit and taking re-

fund of the same, was no longer available. Ironically, Chidambaram's duty cuts made the Reva more expensive. "There is simply no long-term direction," says Maini. "The government says that environment-friendly technology is good, but the policies don't reflect that." The Indian government's stepmotherly treatment is especially distressing when other auto makers receive incentives, such as subsidised land. But what probably stings the most is that the Reva gets more support from foreign governments than India's (see 'Rolling Out The Red Carpet').

Even China, now the world's worst polluter, actively promotes EVs. Its government has set aside $106 million to fund EV projects and will deploy 1,000 electric buses before the Olympics. Petrol scooters were banned from major city centres to encourage electric bikes. In 1999, 40,000 electric scooters were sold in China; this year 15 million will be sold. "It's amazing how much policy can guide investments," says Maini.

It would be wrong to say that RECC does not have any support from the government. Science and Technology Minister Kapil Sibal, a vociferous campaigner on environmental issues, drives a Reva, as does Delhi Chief Minister Sheila Dikshit. Also, the Ministry of New and Renewable Energy subsidises 33 per cent of EV costs, but only for purchases by government departments, public sector units and private institutions. Rajasthan has exempted EVs from road tax, while Chandigarh recently announced its own subsidy. Delhi, Andhra Pradesh, Goa, Orissa, Pondicherry and Uttarakhand also provide various tax exemptions. But these incentives are disjointed and, so, do little to encourage mass-market adoption.

RECC's Rakhe has been pushing hard for more government support since he came on board 11 months ago. A 25-year veteran of the auto industry, Rakhe is a fierce believer in the Reva. "I left a Suzuki joint venture for Reva because this was a new challenge. But more importantly, it was a solution to a very important issue — global warming."

### A Diamond In The Rough

Chetan Maini first dreamed of an electric car after his father began making electric golf carts in the late-1980s. "We had the technology so the idea was always in my head," says Maini. Then, in 1990, he and some friends from the University of Michigan built the Sunrunner, a solar-powered car, for the 'World Solar Challenge' — a seven day, 3,000 km-long race across Australia.

The Sunrunner project had a budget of just $1 million. So, the team planned for everything — cloud cover over the route, changing angle of the sun as they drove through the desert, optimal speeds and gear ratios for different times in the day — nothing was left to chance.

It paid off. The Sunrunner finished third, beating auto majors such as Ford and Mazda. "For a while, we were even ahead of Honda, which finished second," says Maini, with a boyish grin. "We had the whole Japanese media contingent on our backs trying to figure out how a team whose average age was 21, was beating the might of Honda R&D."

The World Solar Challenge was the turning point of Maini's career. After university, he joined Amerigon, which, not coincidentally, was founded by Lon Bell, the father of Maini's

## Rolling out the red carpet

Several countries offer wide-ranging incentives to EV owners.

| | |
|---|---|
| **United Kingdom** | • Free parking in some areas.<br>• Certain areas in London are EV-only zones.<br>• Exempt from £8 per day congestion tax. |
| **Japan** | • Direct subsidy of $2,600.<br>• Up to 50 per cent subsidy of incremental cost of clean energy vehicles. |
| **Norway** | • No import duty on Reva.<br>• EVs can drive in bus lanes.<br>• No congestion charge on city toll ring road.<br>• Free parking in government-owned parking spots.<br>• Cheaper insurance for EVs. |
| **France** | • €2,000 subsidy to each EV buyer.<br>• Free parking for EVs.<br>• No tax on electricity used for charging an EV.<br>• Lower road tax. |
| **United States** | • $4,000 subsidy to each EV buyer.<br>• Preferential parking areas.<br>• Subsidy on the installation of charging infrastructure. |
| **Italy** | • €1,800 subsidy to each EV buyer.<br>• Free parking facilities in certain cities.<br>• No road tax for first five years of ownership. |
| **Malta** | • Removed 50.5% registration tax on cost, insurance and freight.<br>• No $55 charge for entering the capital city.<br>• 15% tax rebate (up to $1,300) on 18% VAT. |

Source: Reva Electric Car Company

## Take your pick

**REVA**
Range (km) **80**
Top speed (km/hr) **70**
Price (Rs. lakh) **3.5**

**THINK CITY**
Range (km) **170**
Top speed (km/hr) **100**
Price (Rs. lakh) **13**

**DYNASTY IT SEDAN**
Range (km) **49**
Top speed (km/hr) **39**
Price (Rs. lakh) **7.6**

Sunrunner team-mate, Dave. "The [Reva] project started when Chetan was at Amerigon," says Bell Sr. "It was pursued first in the US and once the technology had proven itself [the project moved to] India." That was 1994.

In 1995, Maini sat down to dinner with Frank Wisner, then the US Ambassador to India. It was Wisner who suggested that Maini name the project after his mother Reva, because that had the letters 'EV' in it. The name stuck because Reva also meant 'a new beginning' in Sanskrit.

### Growing Competition

Having taken on the big guns of auto as a student, Maini isn't shy of doing the same today. With so many incentives being offered around the world, it's no surprise that the EV industry is growing rapidly. Several large car makers, such as Japan's Mitsubishi, have active programmes to develop EVs. There are also a few Indian companies, such as the Gujarat-based Fieldmarshal group, in the fray. Last October, Fieldmarshal joined hands with Australian firm Farnow Technologies to make up to 50,000 electric three-wheelers and cars each year. That's a big bet because, today, Fieldmarshal only produces 450 auto-rickshaws per year.

Abroad, Reva's competitors include cars such as the Think City and the ZENN, although few can match its performance or sales. One machine, however, has gone miles ahead. The Tesla Roadster, an all-electric sports car, from Tesla Motors in California, can do 0 to 100 in 3.9 seconds and averages 350 km per charge. For that performance, its $98,000 price-tag seems quite reasonable. The Tesla Roadster is the first EV that can compete on both price and performance within its class — high-end sports cars.

### Miles To Go...

On range and speed, RECC says that most city drivers rarely drive more than 80 km a day, and city speed limits are 50 km/hr. Still, potential owners cannot help but associate these statistics to the Reva's Rs. 3.5 lakh price tag. Rakhe says that increased volumes with the new factory would lower prices.

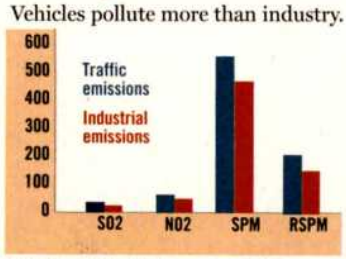
A big problem, however, is the lack of publicly-accessible charging points. Reva owners have circulated their addresses to each other for emergencies, but this isn't a good long-term solution. Hundreds of charging points need to come up, especially in public parking lots. London already has scores of these, but in Bangalore, where the Reva was born, the government is still reluctant to even let RECC set these up.

The Reva also suffers from limited back-seat space and minimal luggage room. At one time, there were also serious safety concerns. Top Gear, a British car show, did a controlled crash-test on a G-wiz at 64 km/hr. Maini admits the car didn't do well, but says that the speeds were above the legal requirement. "In over 40 million km of Reva usage, there has not been a single fatality or serious injury," he says. Still, RECC updated the design and a revised vehicle was released within six months of the tests.

Arun Maira, former chairman of the Boston Consulting Group India, compares the Reva to Body Shop, the environmentally-conscious British cosmetics brand. "Body Shop was a terrific idea, but it couldn't grow much," says

### Why Reva matters

Vehicles pollute more than industry.




**SO2:** Sulphur dioxide; **NO2:** Nitrogen dioxide; **SPM:** Suspended particulate matter; **RSPM:** Respirable suspended particulate matter. Figures are in micrograms/$m^3$ (Delhi, 2006).
Source: Central Pollution Control Board

**Electric vehicles come in a wide range of price and performance all over the world.**

**ZENN**
Range (km) **72**
Top speed (km/hr) **40**
Price (Rs. lakh) **4**

**TESLA ROADSTER**
Range (km) **350**
Top speed (km/hr) **201**
Price (Rs. lakh) **39.2**

Source: Company websites Prices are for home markets

Maira. "If you really want a product like Reva to make a difference, you need to sell millions. There's not enough distribution."

For broader appeal, RECC could focus on the Reva's many customisation options such as personalised paint work (from tiger stripes to company logos) to multiple trim options for the interior. Then there's the Reva's low cost of ownership (Rs 0.40/km) at a time when oil comes at $115 a barrel.

Still, Maira acknowledges that RECC has shown daring. "They decided to do this without there being the technological ecosystem around them," he says. "Maini thought 10 years ahead of everyone else and there's a good chance that he will bear the fruits of his effort," adds Sanjay Gupta, an avid follower of EV technology, and ever the loyal Reva customer.

### Getting Ready For The Future

RECC will release at least three new models soon. The first is a limited-edition convertible, that may be based on the Reva NXG concept. The NXG, designed by ace designer Dilip Chhabria, gives a glimpse of the Reva's future. Sporty looks, updated electronics and software, and improved battery performance and range are all part of RECC's effort to earn mass appeal. There are also plans for a four-seater hatchback (Maini uses a prototype himself) and a mini-truck. RECC collects information on driver habits and road conditions from the cars it services, which will aid its R&D effort.

R. Prakash, my driving instructor and general manager of R&D at RECC, says that there are many instances of Reva engineers going home exhausted only to be hit by inspiration and return to fix a problem. Prakash's team is now working on improving drive train technology, energy and battery management, and making better use of new materials.

IQ Infotech, which supplies the Reva's energy management system (EMS), is already working on version 13 of its software. "We meet RECC every three months to study driving habits, failures and quality issues," says Srinivasan, IQ Infotech's managing director. "We then test these upgrades for 1,000 km before releasing them."

Lithium-ion batteries will be an option with RECC's next car. Li-ion batteries offer better range (more than 200 km per charge), higher speeds, more power and greater efficiency (the Tesla Roadster uses Li-ion batteries).

While work at RECC is frantic, the company's big worry is that it hasn't yet broken even. Maini expects this to happen at an operational level once he sells 3,000 cars a year. He adds that Reva's profit margins are similar to other Indian cars. "We're an incredibly efficient company as we have a low operational break even," says Maini. "But it will take us a while before we recover all the investments we've made since 1994."

Maini's business plan is simple. "I want to continue to be the number one EV company in the world, and I want India to have at least a 50 per cent share of our sales," he says determinedly. "I'd be really disappointed if we sold anything less than 30,000 a year in five years." From the frozen streets of Norway to the sunny island of Malta to busy Bangalore, a growing tribe of Reva owners nods in agreement.

---

With inputs from Dhanya Krishnakumar

*pierre.fitter@abp.in*

# Of Merit And Prejudice

**by Sumati Nagrath**

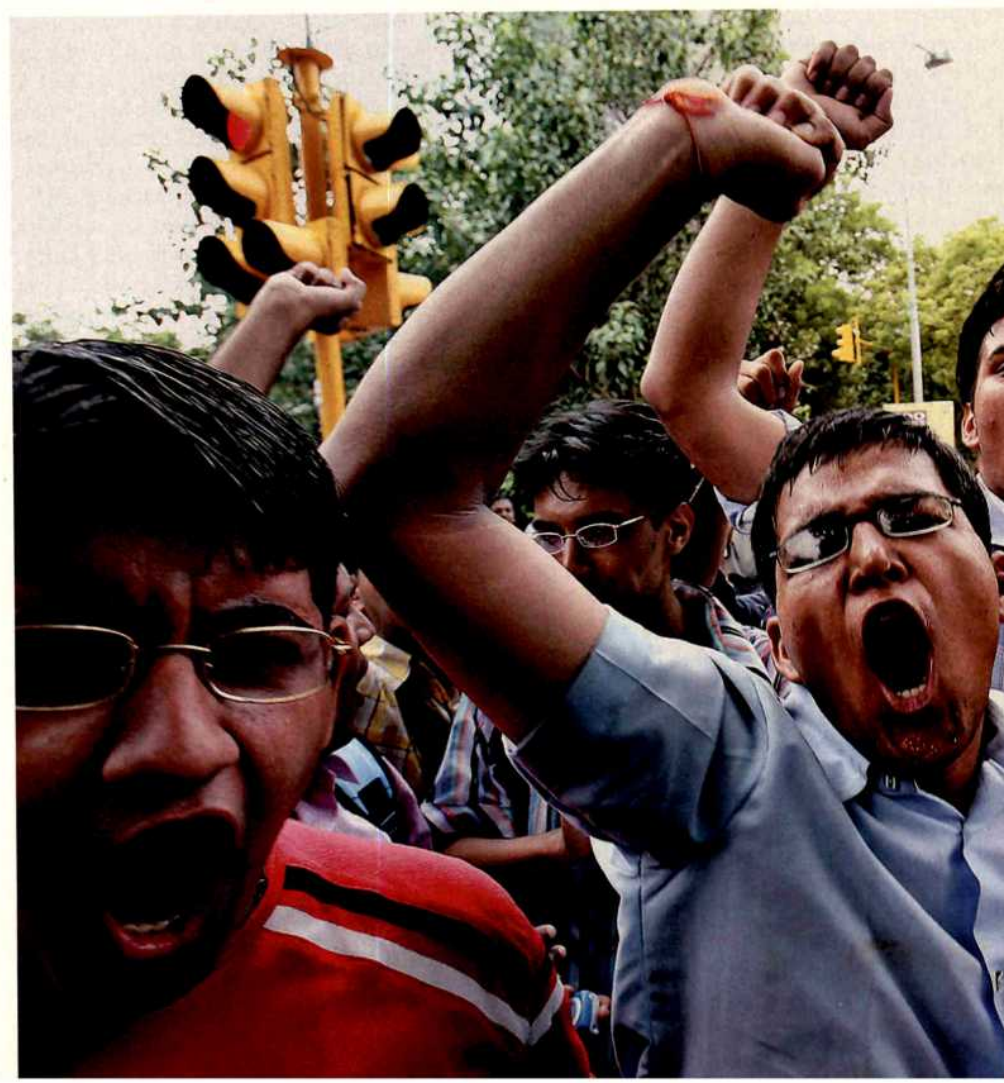
**Merit matters, but reservation can not be entirely discounted**

JUST A DAY BEFORE THE 117TH BIRTH ANNIVERSARY of Dalit icon B.R. Ambedkar, a nation whose elites like to think of the caste problem as more or less resolved, was rudely reminded of the visceral prejudice still faced by millions of low-caste Indians. Three Dalits — two men and a 12-year-old boy — were mercilessly beaten up by a group of higher-caste men just 25 km outside the country's capital. The provocation for the assault? The Dalits had the temerity to celebrate their hero's birthday.

Ironically, the incident occurred just three days after the Supreme Court upheld the government's Central Education Institutions (Reservation in Admission) Act 2006, which reserves 27 per cent of all seats in government-funded education institutions for other backward classes (OBCs). The apex court's five-member bench headed by Chief Justice K.G. Balakrishnan termed reservations a "necessary advantage", but ruled to exclude the 'creamy layer' of OBCs from the benefits of reservation. That has not stopped proponents of reservation, such as Human Resources Minister Arjun Singh, from calling for reservations to be extended to the private sector.

Corporate India is raising its hackles in protest. "I think reservations are a terrible idea, more so in the private sector," says Rahul Bajaj, chairman and MD of Bajaj Auto. "Merit cannot be thrown to the winds. It is anti-national."

The argument for merit-based recruitment has long been the crux of India Inc.'s opposition to reservations. "Competitiveness of enterprise

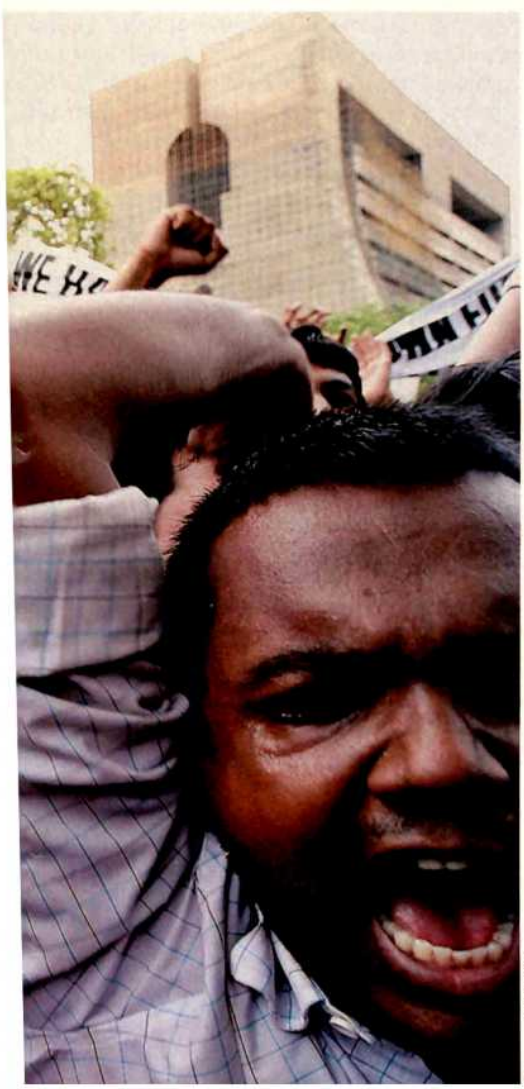


**NOT THE ULTIMATE SOLUTION:** Reservations evoke strong emotions in people, both for and against it

and economy is not negotiable and must be achieved and maintained through knowledge and competence in the rapidly developing Indian economy," the Confederation of Indian Industry (CII) taskforce on affirmative action states in its 2006 action plan. It adds that "The private sector industry is against any legislation that would compromise the sanctity of its non-negotiable freedom of choice in employment."

But is merit really the primary parameter for recruiting in Indian companies, and can India Inc. side-step participating in the country's long-standing, if clumsy, attempts at reversing the effects of the caste system?

An empirical study of corporate India reveals the uncomfortable fact that many, if not most, business houses appear to give ethnicity undue importance while hiring. Marwari-owned companies are filled with Marwaris, Gujarati-run businesses prefer Gujaratis, Bengali-owned firms like to recruit Bengalis. This pattern of ethnic choice appears to plague almost all enterprises, and it hurts communities, such as Dalits, which have traditionally not owned (or been allowed to own) businesses.



REUTERS

D. Parthasarathy, professor in the department of humanities and social sciences at IIT Bombay, says that apart from evidence that discriminatory recruitment practices exist in corporate India, company executives often also have "unconscious biases and prejudices in their recruitment patterns".

Hence, while CII says that the private sector does not discriminate based on caste and ethnicity, limited data available through voluntary disclosures by some companies shows that the proportion of Scheduled Caste/Scheduled Tribe employees in the private sector varies from a dismal 3 per cent to a healthy 40 per cent. Since the companies did not provide a break-up of their employees by job function it is unclear what percentage of SC/ST employees are in management. But the figure is estimated to be small. The 61st round of the NSSO conducted between 2004 and 2005, placed India's SC/ST population at about 28 per cent of the population. OBCs accounted for an additional 41 per cent. It is clear SC/STs are not represented in corporate India (or the government or judiciary) at anywhere close to these percentages.

Generally, countries, such as the US and the UK use two sets of laws to overcome problems of such exclusion. Equal opportunity laws are used to prevent active discrimation against vulnerable communities and affirmative action programmes, such as reservations, are used to assit backward classes overcome the cumulative effect of years of prejudice.

While India has banned "untouchability", it has weak and poorly enforced equal opportunity laws. So far India's affirmative action programmes, mostly in the form of reservations, have been badly designed and politically biased. But almost everyone agrees they have played a role in emancipating Dalits, even if the benefits have been unfairly cornered by the "creamy layer". The Court's recent decision helps mitigate this problem. But the larger issue is that political parties lack the imagination and the nation lacks the will to tackle caste problems more holistically and aggressively. Hence, all that those seeking to placate low-caste groups do is call for more reservations.

Arun Maira, former chairman of the Boston Consulting Group, says India Inc. can participate in resolving problems of exclusion by examining the concept of merit more closely. "How do you devise a test to judge merit," Maira asks. The objectivity of tests, such as the GMAT, "is biased in favour of people already in the system" and are under question all over the world.

Exam results also discount the social and eco-

## The Supreme Court Ruling

**The Bench was unanimous that:**

- **27 per cent reservation for OBCs in centrally funded institutions is legal.**
- **The creamy layer be excluded from the quota ambit.**
- **The OBC reservations be reviewed every five years.**

**It was unclear on:**

- **Extending reservation to include private unaided educational institutions.**
- **When does a candidate become "educationally forward".**

C.P. SHANMUGHAM

**EQUAL OPPORTUNITY: India Inc. needs to work harder to make its workforce more broad-based and representative**

nomic barriers a candidate had to overcome to achieve his or her grade. Therefore, an underprivileged student who struggled to receive basic education, faced repeated and frequent humiliation, and fought acute poverty to get 70 per cent in an exam could actually be far more capable that a candidate from a privileged home who gets 90 per cent. "Those in the system need to look for talent that is potentially there but is not expressed in the way that they are conditioned to look at it," Maira says.

Interestingly, Indian companies, such as Wipro, wordlessly abide by affirmative action laws in the US but protest the same at home. "Wipro is an organisation based on meritocracy," a Wipro spokesperson said. Others prefer to evade the issue. In fact, most of the companies *BW* contacted for this story, including ICICI Bank, Ashok Leyland, Biocon and Satyam, declined to comment on the issue.

The industry body has a patchy report card on affirmative action. Until 2006, it did almost nothing to emphasise the importance of unprejudiced recruitment in the private sector and even less to lower the barriers low-caste communities faced in entering the corporate world. "It was Prime Minister Manmohan Singh who spurred the CII into action when he used the occasion of the body's annual conference, two years ago, to urge it to voluntarily make corporate India's workforce more diverse and representative," says Farhad Forbes, director of the Forbes Marshall Group in Pune and chairman of CII's Western Region. The PM was pointed in saying that affirmative action by industry would "be a crucial component in the inclusive society we hope to build". Underlying soft-spoken Singh's words was also a warning: act proactively or be prepared for legislation.

In response, CII (in partnership with A socham) quickly set up a task force under t leadership of Tata Steel's former Managing D rector Jamshed J. Irani to look into affirmati action. Its results led to the setting up of Council for Affirmative Action for SC/S which drew up a code of conduct mandati non-discriminatory hiring policies and ga priority to competent SC/ST candidates. Yet, far only 597 companies of CII's 7,000-stro membership have adopted the code.

"Affirmative action is not about giving certa people preference but about giving them t requisite training and support to put them an equal footing," says CII's Forbes. In line wi this philosophy, the CII's council on affirmati action's measures for the SC/STs (there are measures in place for the OBCs yet) include t creation of entrepreneurs; the expansion of t pool of employable personnel by establishi coaching programmes in universities to d crease dropout rates and putting in place schc arships for SC/STs.

Last October, IT major Infosys created t Special Training Programme for the Andh Pradesh government. This six-month long pr gramme improves the employability of SC/S for the IT/ITeS sector by developing their so skills and English-speaking competency.

But Parthasarathy, the IIT professor, says it not enough for the private sector to recruit ar train people from different backgrounds. To truly egalitarian, companies must ensu SC/STs get some sort of preferential access in companies, to compensate for being exclude from things such as old boys clubs, which pri iledged classes use to bolster their own career

Demands for this from politicians, such Uttar Pradesh Chief Minister Mayawati, a only getting louder. In February, her gover ment placed ads entitled 'New Positive Reserv tion Initiatives' in several UP dailies. The ac clearly stated that private players wanting avail state concessions for setting up new entr preneurial units would have to allocate 10 p cent of all jobs to SC/STs and OBCs each.

Ultimately, the path to equitable social ju tice cannot be through either extreme — rese vation only or merit only, but somewhere in b tween. Meanwhile, industrialists will natural curse what they see as the short-term oppo tunism of politicians such as Arjun Singh.

The ultimate irony is that if even half the ir dignation against reservations was directe against the caste system itself, we wouldn't hav a problem in the first place.

---

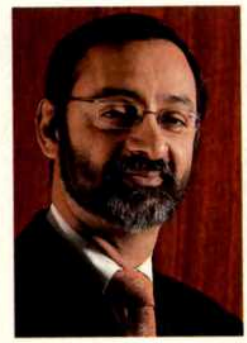
With inputs from Dhanya Krishnakuma

*sumati.nagrath@abp.i*

# Pick A Number

**by srikanth srinivas**

I ASKED AN ECONOMIST FRIEND OF MINE AT A large bank about inflation. His response: "What inflation?" Coming from someone one in his position who tracks interest rates and inflation fairly closely, it was something of a surprise. No, he was not unconcerned about inflation; his problem was that he had some difficulties about which indicator of inflation to follow in making his analysis and economic forecasts.



**Despite all the available information, most people are still guessing when it comes to inflation**

And he is not alone. A survey of inflation numbers — and of inflationary expectations — in the media shows a dizzying array: wholesale price indices (WPI), consumer price indices (CPI), sectoral price indices, indices for specific commodities like oil, and several others. So, which inflation numbers do you use? The data underlying the inflation index numbers are a key input into that process, and so is their reliability and frequency of availability. In today's context, and given approaching elections, the person who called inflation the long run consequence of short-term expediencies may not have been far off the mark.

For us as consumers, the CPI that includes price changes of products we use on a daily basis matters most; it determines how much we will pay for goods and services, how it affects the cost of doing business, and can create havoc with personal and corporate investment. Landlords take CPI into account in setting rental contracts, and inflationary expectations set labour contracts and government fiscal policy.

The WPI is, in fact, a family of indices: you could theoretically break it down into three progressive stages: crude goods (commodities such as foodgrains and metals), intermediate goods (textiles, steel, cement) and finished goods (edible oils, cars and refrigerators). Because the WPI is available week on week with a lag of about a fortnight, it is the most watched inflation index of all. The government uses the WPI for policy-making purposes.

Computing a single inflation measure poses stiff challenges. For example, services account for nearly 60 per cent of GDP, but do not figure in the indices at all. A Reserve Bank of India (RBI) committee set up to review the various indices — and perhaps come up with a harmonised index of consumer prices — suggested that a separate services price index be constructed.

Despite all that, it's hard to know the real level of inflation in the economy. For instance, there have been rather sudden price changes in certain components of the WPI; the index of metal prices moved sharply, after having moved rather steadily since September 2007. Supply side factors, such as currency markets and the commodity cycle upturn, also contribute to inflation. Consumer demand — fuelled in part by tax cuts announced in the Budget, along with anticipated pay increases resulting from the recommendations of the Sixth Pay Commission — is also expected to push inflation upwards. In hindsight, the RBI — as the agency responsible for inflation management — may have been on the ball when it came to assessing the real levels of inflation out there.

Now, as other central banks cut rates to deal with the crisis in global credit markets, the RBI following suit might be precarious. Before now, capital and financial markets anticipated the RBI to maintain inflationary expectations at the lower end of the policy rate corridor between its repo and reverse repo rates (the rates at which the RBI pumps in liquidity by buying securities and banks park their excess liquidity with the central bank by buying securities, respectively).

Rather than use interest rates to manage those expectations, the RBI chose to use liquidity management — reducing excessive money supply through market stabilisation scheme (MSS) bonds, increasing reserve requirements by raising the cash reserve ratio (CRR), and open market operations through its liquidity adjustment facility (LAF - the repo and reverse repos). Note that the RBI has elegantly distributed the costs accordingly: to the government (via the MSS), the banks (via CRR increases) and itself (through the LAF). RBI Governor Y. V. Reddy had made this strategy plain in his October 2007 monetary policy review, if only anyone was listening.

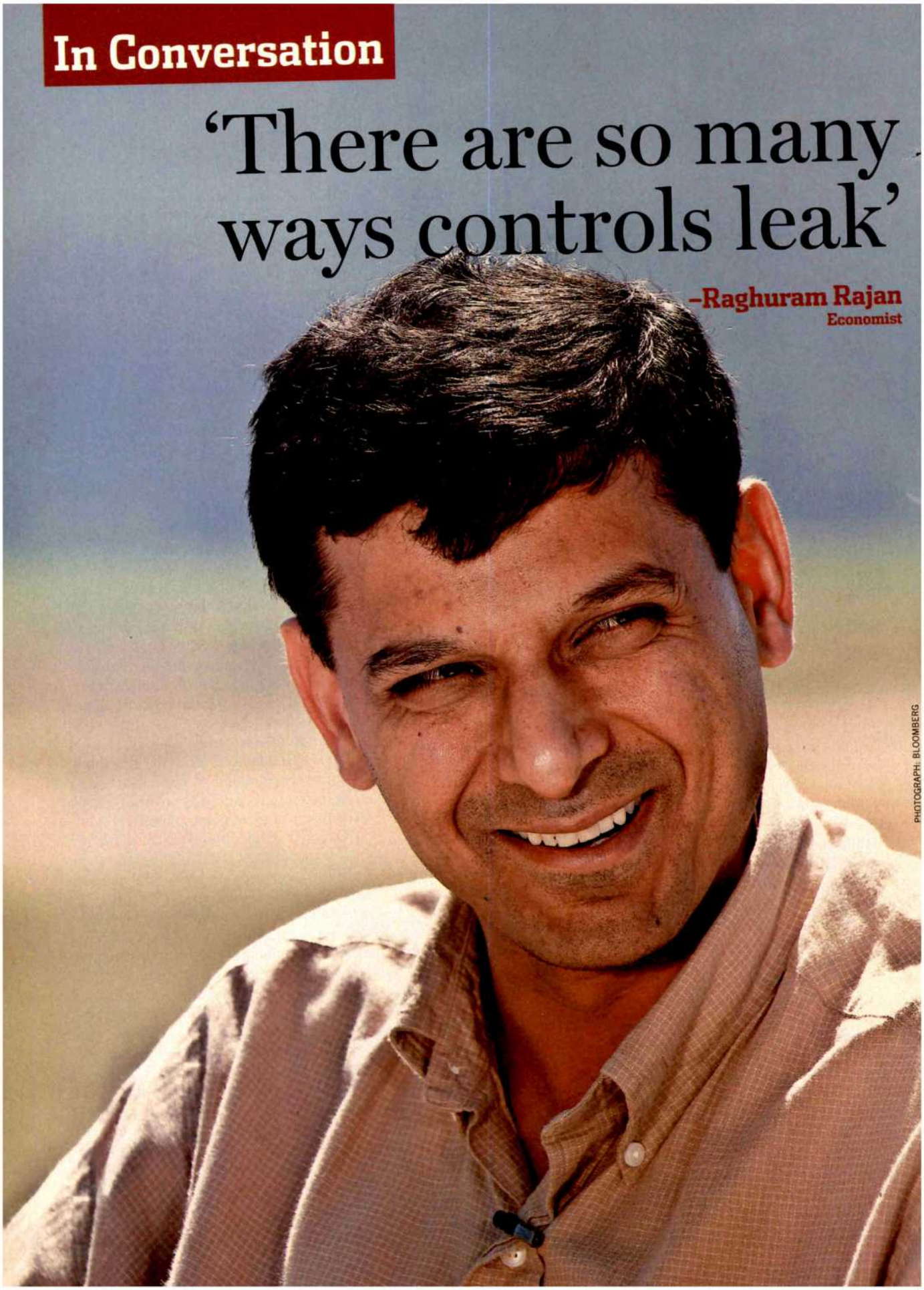
Will the RBI change its stance now? Not very likely. Capital market players have paid an 'uncertainty premium' — for misunderstanding which end of the corridor the RBI will operate — and bet incorrectly before. All signals point to the RBI using liquidity management to maintain interest rates at the upper end of the corridor. Will the markets learn this time?

*srikanth.srinivas@abp.in*

In Conversation

# ‘There are so many ways controls leak’

–Raghuram Rajan
Economist



PHOTOGRAPH: BLOOMBERG

RAGHURAM RAJAN IS ALWAYS ON A QUEST. AS HE skims journals, his mind races on to extensions, corrections, models and new applications of old models. It is a game many economists play; he just happens to play it well.

Some two years ago he started asking himself: Why have Indians, who are such passionate, accomplished democrats, always chosen to be poor? The standard Marxist answer is that a dominant upper class has a vested interest in keeping the rest poor. He thought instead of three classes - employers, managers and workers. Competition would reduce costs and make everyone richer; but employers do not like it. Education would increase workers' productivity, but it would increase competition for white-collar jobs, so managers do not like it. And without education, workers cannot get jobs that liberalisation generates, so they do not like reforms.

Last year he presented those ideas at a conference in Neemrana where ministers and their advisers hobnob with chiefs of research institutes and their economists. Montek Singh Ahluwalia heard him and thought, this man has a fertile mind. What might he come up with if we recruited him in our battle for inclusive growth? He talked to the prime minister and the finance minister; they joined his crusade. Faced by their combined forces, Rajan agreed. But he would not occupy a room in the Planning Commission; he was wedded to his professorship in Chicago. He would confine himself to the financial sector, his area of expertise. And he wanted a committee that would bring together the best minds and the best informed people in the financial sector. That is how the Committee on Financial Sector Reforms was formed. It put its draft report on the web a fortnight ago. The final report is some time away.

The government has for fifty years tried to take loans to the poor by forcing banks to open branches in villages and lend to farmers, and by creating institutions specially intended to lend to the poor, small industrialists, and other such desirable characters. The Rajan report is critical of this. Before villagers and the poor are given loans, they should be taught to open and run bank accounts, to save and to manage savings. Since government banks will not do this, new private banks should be licensed to serve these people. These ideas are anathema to the financial establishment; it has marshalled its forces to shoot down the Rajan mavericks. I thought, let him tell us in his own words.

**ASHOK V. DESAI**

**Q: Tell me why the CFSR chose to have the people it did, rather than the usual bunch of bureaucrats and regulators. Would not their inclusion have made its recommendations more acceptable to the government?**

**A:** The purpose of the CFSR was to propose serious, needed reforms, not just incremental change, and over a few years, not over the next few months. The belief was that if we had too many regulators and government officials on the committee, its recommendations would be anchored to the status quo. But it was also important that the recommendations be practicable, so we had many practitioners on the committee, including Om Bhatt, the reforming SBI chairman, Uday Kotak, one of India's most knowledgeable financial entrepreneurs, Vijay Mahajan, a pioneer in microfinance, Zia Mody, one of India's top corporate lawyers, and Jayanth Varma, a financial wizard. The other six members are leaders in their areas too. We spent the best part of a year deliberating, consulting widely with regulators, businesspeople, researchers, consultants, union leaders, politicians, etc. The report is a collective effort, not just by the committee, but by a wider selfless set of people who devoted considerable time to contribute what they thought was needed for the nation. My sense is that many of the recommendations will be implemented, though perhaps not with the urgency the committee feels.

**Q: Is not bad regulation a good argument for capital account inconvertibility? If the Reserve Bank and SEBI are wedded to their rule-based regulation and the government sees no way to reform them, should it not allow the Reserve Bank to manage the capital account with quantitative restrictions and arbitrarily changing rules?**

**A:** Let me answer in three parts. First, I do believe that strong financial infrastructure can help reduce the costs associated with an open capital account. This includes not just good regulation but also other aspects like an effective bankruptcy code. Real flexibility, for example, on labour, would also help. And allowing more foreign participation in some areas can strengthen the infrastructure. For example, if foreign investors were allowed to set up asset reconstruction companies, we would have a much more resilient system in the event of widespread financial distress. They will have capital to bring in when the Indian financial

## Fast Facts

**Raghuram Rajan is Joseph L. Gidwitz Distinguished Service Professor of Finance at the University of Chicago**

**Did electrical engineering in IIT Delhi, got Director's Medal in the class of 1985**

**Did MBA in IIM Ahmedabad, got Gold Medal in 1987**

**Got American Finance Association's inaugural Fisher Black Prize in 2000 as the person under 40 who had contributed most to theory and practice of finance**

**Even the Reddy RBI has been flipping between holding the nominal exchange rate and letting it go to curb inflation**

system is in trouble, much as the US system is being rescued by sovereign wealth funds.

Second, I am not sure why you say arbitrary rules are a good thing when we have an inefficient infrastructure. It can make the system even more capricious.

Third, given that our trade is increasing so fast, and that the capital account is already so open, it is becoming virtually impossible to control flows through quantitative means – there are so many ways controls leak, as the bankers on our committee point out. Rather than experience a total loss of control over time, and also increased distortions as controls are evaded, why not liberalise in a way as to strengthen our systems?

**Q: You suggest that the Reserve Bank should confine itself to inflation control by means of interest rates. What about growth? And should it not attempt to control the exchange rate?**

**A:** As we have seen in recent months, inflation is the prime concern of our political class, as well as the masses. The RBI recognizes this when it says it has an objective of 5% inflation. In addition though, monetary economists since the early 1970s, and now many central bankers, have been saying that the central banks can only deliver on growth by focusing on limiting inflation. This is an intellectual revolution that those who have not read beyond pre-1970s macroeconomics, unfortunately still taught in some classrooms in India, have not absorbed. An inflation objective (and note I do not say target because of the near-religious connotations associated with targeting) is not anti-growth. Indeed, by maintaining inflation close to its objective, the RBI will also deliver on growth. When the economy is growing below potential, inflation will fall, and the RBI will cut rates, and vice versa when it is growing too strongly.

So what are we giving up when we focus on inflation? Not growth, but the right to be whimsical, especially about exchange intervention. The real issue is when central bankers are whimsical, they confuse markets and lose effectiveness on curbing inflation. This is no commentary on Dr Reddy, who as someone remarked, is a wizard at operating the system. But I do have fears for his successor. And even the Reddy RBI has been flipping between intervening to hold the nominal exchange rate, and letting it go to curb inflation. Ultimately, it is not clear that constant intervention can keep the real exchange rate from moving up to fundamentals, whether it be through nominal appreciation or through inflation. Many who advocate continued heavy intervention are living in the past, when such intervention may have worked.

Also, let us not offer a blanket indictment of exchange rate appreciation. Real exchange rate appreciation is part of development. It will lower import costs, especially of capital equipment. And exporters can offset it through higher productivity, as many seem to be doing in India. Of course, the export lobby has an incentive to holler for sops, but we need to take a good look at the figures to know if they have really been damaged.

This is not to say we want the exchange rate to become overvalued. I personally think a slightly undervalued exchange rate might be beneficial if we could have it. I just don't think intervention helps achieve it in the medium term, and the costs of having huge reserves are mounting.

**Q: Can you see anyone in India – personal or corporate investors, insurance companies, pension funds, and rational investors – who would be inclined to invest in foreign debt or equity markets? If you do not, do you see any way of opening up the capital account without substantial appreciation?**

**A:** Inflows will slow as the currency appreciates and India is less of a one-way bet. But clearly, it would be preferable if we had outflows taking the pressure off appreciation. As I argued earlier, there are limits to the central bank building reserves and providing the outflows. Better let the rest of India take the money out. But few want to do so today. This reflects the strong returns of the Indian market in the past, a natural fear of investing abroad, and high transactions costs of moving money. As the Indian market stops going only one way, the value of international diversification will become clearer. It certainly makes sense for provident funds and pension funds to maintain a better diversified portfolio across the world, and an education campaign for those who control these funds would be useful (I have a vested interest in this as a finance professor). And it makes sense for the government to reduce the transactions costs for middle class households to diversify internationally – you still can't walk into your bank and say I want to invest Rs 50,000 in an Asian equity index. The "home bias" in people's investment is falling rapidly across the world, and I see no reason why India should be an exception.

No doubt it will take time, So everything we advocate is measured – start increasing investment limits for foreigners, more rapidly so when inflows from other sources are quiet.

**Q: Cannot a market be created for the debt of smaller firms? Would it not be simpler than securitization?**

**A:** Small firms are starved of finance. Across the world, they find it difficult to issue debt in markets because arm's length investors do not know enough about them, and do not trust them to repay. This is why securitization may work, much as warehouse receipts may expand credit to farmers. The point is that both small firms and farmers are sitting on good assets – the receivables of large firms in the former case, and crops in the latter. While lenders may not lend directly to the firm or the farmer, they will lend against the asset, if it can be "ring-fenced" from the owner. With technology, so much more is possible. The kind of securitization we advocate is not complicated. It works in Mexico.

**Q: Do I see traces of lazy xenophilia that I used to find so common amongst unthinking bureaucrats? When they wanted to argue in favour of something, they would say it was being done in some good country like Japan or US or whatever. Should something be done in India simply because it is being done in Mexico?**

**A:** No, of course not! This report is by Indians thinking about what is good for India. But the most progress is made when we borrow with discrimination. The times India and China have really gone backwards is when they turned their backs on the world. Let us learn from the Chinese here – they are never afraid to listen to what is happening round the world, they pick what might work, and then they experiment to see if it works in China.

**Q: Should priority given to particular sectors in lending be dismantled at some point? At which point? Has the point arrived in any sector?**

**A:** We believe that the only possible role for the priority sector is for those who do not have access. The costs of servicing that sector are high. But instead of mandates, we should move to incentives. The report outlines a scheme by which we can achieve priority sector objectives efficiently by rewarding those who make loans to that sector (not just banks). We also believe too much attention is given to credit, and too little to other aspects of financial inclusion such as micro-payments and savings accounts. Indeed, if the poor are brought into the system by these means, they can eventually become creditworthy.

**Q: You say in Chapter 4 that banking licences should not be based on minimum capital but on criteria of competence. But you reject giving licences to big industrialists without any argument; today there are industrialists like Sunil Mittal and Mukesh Ambani with thousands of crores not knowing what to do with them. Do you rate the risk that they would loot their banks so high?**

**A:** No, actually we were making the case that small banks could be effective even without a large capital base, not talking about entry requirements for large banks – indeed, I do not think that there is that much correlation between being large and being honest. You have cited some respectable industrialists, I can also cite some who are rich and crooked. The real issue is not outright thievery, but serious conflicts of interest. We do not have adequate mechanisms to prevent self-dealing as yet, that is why the committee proposed not allowing industrial groups to own banks. Giving a banking license to someone who will manage 3000 crores in assets (the entry level for large banks) is a far more serious risk than allowing entry to someone with 30 crores.

**Q: In Chapter 4 you have supported the RBI view, taken in the context of the ICICI Bank, that banks may be subsidiaries of other companies, but not the other way round. Do you not thus implicitly support the idea that fragmentation of regulation requires fragmentation of the financial industry?**

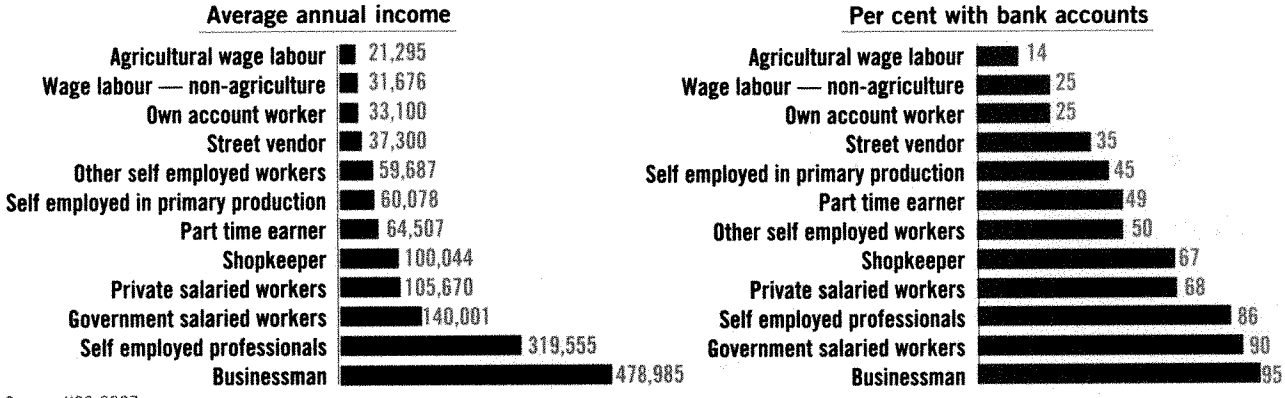
**A:** Not really. I think the recent crisis in the West indicates the difficulties in creating large universal banks. That said, I think there is ample scope for different subsidiaries of a holding company to cross-sell products through each other's distribution networks. What is constrained is the commingling of capital and obligations – each regulator must know exactly what obligations are being backed by which assets. Also, problems in one corner cannot easily infect the whole holding company, which may be systemically important, and thus have a claim on the government purse.

**The Chinese are never afraid to listen to what is happening round the world, pick what might work, and experiment to see if it works in China**

# Fascinating Figures

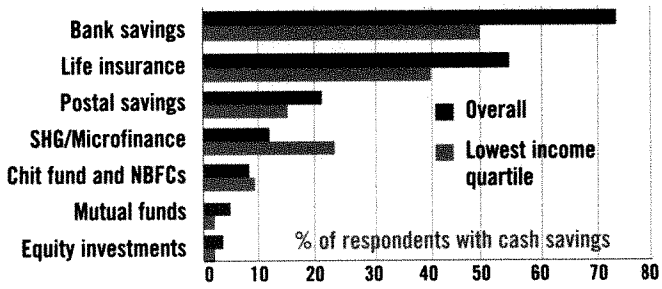
by Ashok V. Desai

## 1. Link between annual income and bank accounts by occupation group

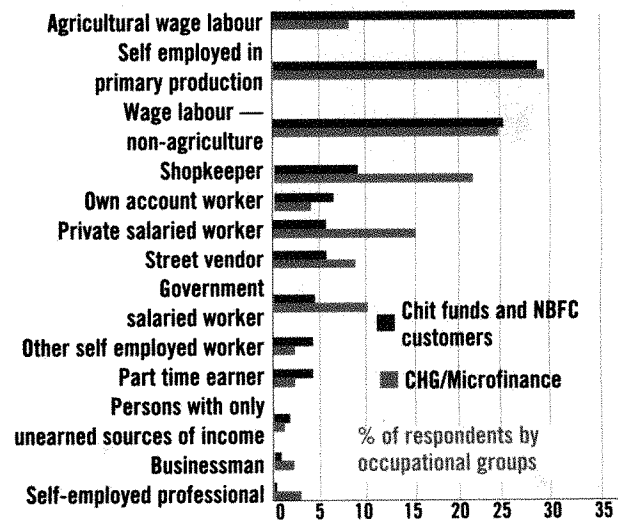



Source: IISS 2007

## 2. Incidence of savings in different financial instruments




## 3. Use of informal savings schemes by occupation category

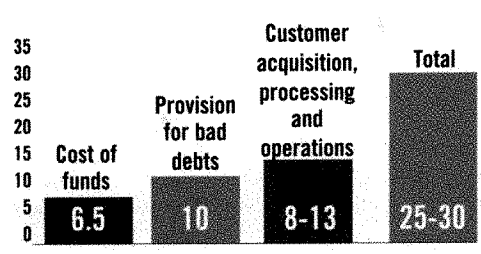



**Banks' total costs in villages are 4-5 times interest costs**

The report of the Committee on Financial Sector Reforms is replete with facts and figures. Many of the figures are new; they often also involve new ways of looking at old facts. We give a small sample of the figures to be found in the report.

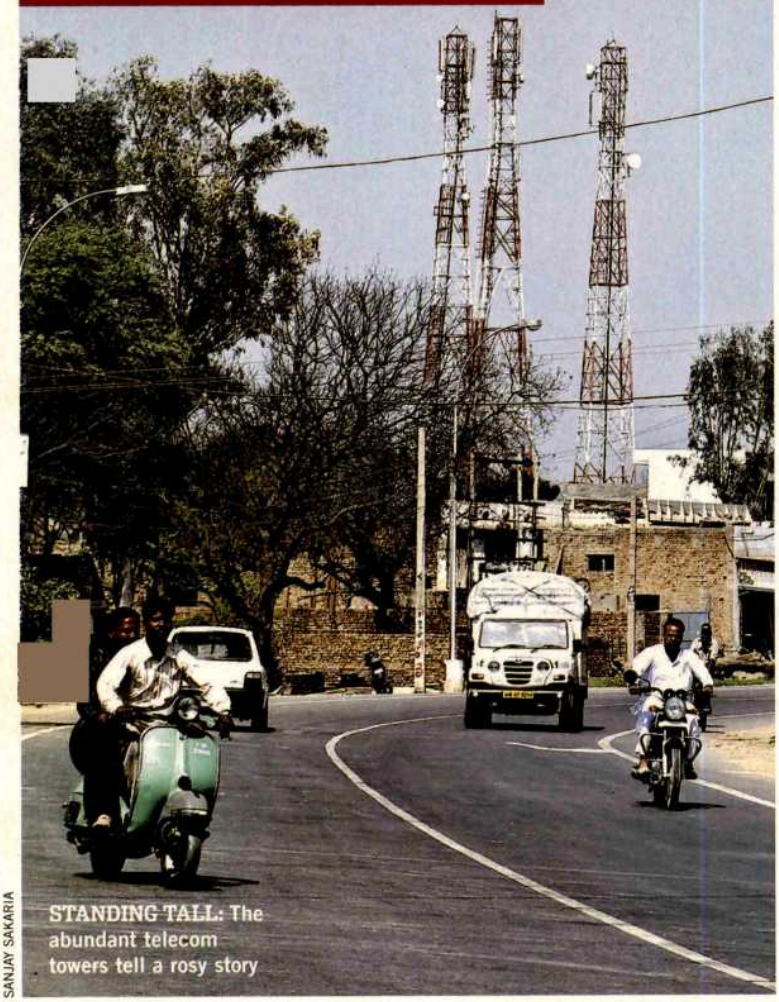
A businessman earns 22 times as much as a farm labourer. But bank accounts are more evenly spread than incomes; they are a convenience even for poor people (Figure 1). The largest number of people put their savings in bank accounts; life insurance is the next most popular avenue.(Figure 2). Chit funds and self-help groups are rapidly gaining ground (Figure 3). Rural interest rates are high because costs of serving villages are high (Figure 4).

## 4. True cost of lending for banks for small ticket loans




Source: ICICI Bank Staff Estimates (for cost of funds) and Boston Consulting Group (2007) "The Next Billion Consumers: A Road Map for Expanding Financial Inclusion in India (for other costs)"

We do anything
to get you the right candidate.
BUSINESS NEWS
In today's competitive world, talent is everything. And the best of talent is on Monster.com, India's best job site*. Using Monster's highly acclaimed Magic Search, you can search over 12 million job seekers and yet get just the right candidate. To give your business the Monster advantage, call 1800-419-6666^ today! *As declared by PC World in 2007 ^From any telecom operator
monster.com
No matter what



SANJAY SAKARIA

STANDING TALL: The abundant telecom towers tell a rosy story

# High-value Telecom

**by K. Yatish Rajawat**

**Big hopes from under-served market cause huge valuations**

FOLLOWING THE IMPLOSION OF BANKING POWERhouse Bear Stearns, *BW* had decided to investigate the Indian terrain for possible industries and companies that could follow a similar fate. This week's coverage, the third in an ongoing series, puts the telecom industry in India under the scanner.

Hype during a bull market run can be a shareholder's worst enemy. During the internet mania in the late 1990's, Web companies that had P/Es of infinity owing to negative cash flows were stockmarket darlings. Moreover, industry analysts that tracked these stocks were gushingly effusive in their 'BUY' recommended analyst reports. IPOs were sold out. Some analysts, such as Frank Quattrone, pushed stocks on the sell side and then doubled up to become the same company's M&A advisor, reaping millions of dollars on both ends of the business. When the stocks that they touted collapsed, shareholders lost billions.

The problem with bull runs and market mania is that investors are simply reluctant to question the performance of a company's stock. Nobody wants to be a party-pooper, especially when the party is making you a lot of money. This was exactly the issue with stockmarket darling Enron, whose glittering numbers, slick corporate machinery and a culture of renegade businessmen on the cutting edge of technology turned out to be a house of cards. The company had been hiding hundreds of millions in losses and engaging in massive shareholder fraud, not to mention making millions by massively overpricing their customers for electricity.

Still, not every company that's had a great run in a bull market is a sham. Many are simply overvalued, as analysts at brokerage firms support and build the rationale for higher prices. No one's complaining since a high valuation benefits everybody. Telecom companies in India have benefited greatly from this trend over the past five years, with valuations that are amongst the highest in the world. The valuations have been built on the high growth expected from an under-penetrated and under-served market, where the compounded annual growth rate for mobile subscribers was 90.2 per cent — the highest in the world — between 2002 and 2006

Players such as Bharti Airtel, Reliance Communication (RCom) and Idea have all benefited from this growth in the early days in the great Indian telecom race. All of them also got high P/Es. At the market's peak, Bharti Airtel had a market cap of almost Rs 218,000 crore ($54 billion); now it's around Rs 54,994 crore ($38.74 billion). Similarly, RCom's peak market cap was Rs 174,470 crore ($43.61 billion); currently at Rs 107,287 crore ($26.82 billion).

At the peak of BSE's Sensex, Indian telecom companies commanded an average P/E of 25 to 30. Today that P/E has dropped sharply to 17 to 20 times — which is still high compared to their global peers. South Korea Telecom, for instance, has a P/E of 12 times and a market cap of around $15 billion. Only the giant China Mobile has a P/E of 23 times.

Despite this comparison in figures, and the correction or drop, analysts are bullish on the sector. "The valuation of telecom companies is not expensive or stretched. You need to look at valuations on EV/EBITDA basis to make a

meaningful comparison with international (or other regional) players. On this basis, Bharti Airtel is trading at around 13.5 times FY 2008 EBITDA and at less than 11 times FY 2009 EBITDA, which is quite reasonable given the EV/EBITDA of around 14-15x commanded by comparable companies (like China Mobile) in their high growth phase," says Gaurav Dua, head of research at Mumbai-based brokerage firm Sharekhan. The comparison with Chinese companies ignores the fact that there are just two big mobile companies in China, unlike India where competition abounds.

Others, like Bhavesh Shah, vice-president, research at brokerage firm Asit C Mehta, feel that the sector is undervalued. "The current wireless subscriber base is 250 million as on February 2008. We expect the wireless subscriber base to reach 390 million by March 2010," he explains. French brokerage BNP Paribas seems to share Shah's buoyant outlook on the sector. BNP in its 14 March report argues that the sector is undervalued since it is poised to add 100 million subscribers in FY 2009 and cross 500 million by 2010. Plus, the telecom sector will see a growth of 33 per cent in revenues and an earnings growth of 25 per cent. At the same time, the report says that the industry will see a fall in Average Revenue Per User (ARPU) due to increased competition.

Others have a less sunny outlook on things and have begun to question the valuations. "Weak ARPUs and stronger competition makes us cautious on the sector," says a Credit Suisse report released on 8 April. The brokerage firm analysed data released by Cellular Operators Association of India and concluded that Bharti has seen the lowest decline and had a stable market share, while players like Reliance Communication's ARPU on the GSM side have been low at Rs 187, and witnessed an 18 per cent decline in ARPU, the highest for the last nine-month period. Credit Suisse warns that the dynamics of growth are changing with growth coming from smaller telecom circles. "B and C Circles are gaining revenue share at the expense of Metros. This is primarily driven by a shift in subscriber share rather than ARPUs. Further, despite stronger growth in subscribers, 'A' circles revenue share has remained constant due to greater ARPU declines."

Telecom firms have naturally pooh-poohed any arguments about over-hyped valuations "The sector is still growing at a rapid pace and it has a long way to go, growth is not about somebody's perception, it is reflected in our numbers," says Akhil Gupta, CFO of Bharti Enterprises, the biggest telecom company both in terms of revenues and market capitalization.

**COMPANY VALUATION COMPARISON**

| | P/E | | |
|---|---|---|---|
| | 2007(x) | 2008E(x) | 2009E(x) |
| **India** | | | |
| Bharti Airtel* | 22.7 | 17.8 | 14.8 |
| Reliance Communication* | 23.7 | 19.5 | 17.0 |
| Idea Cellular* | 22.6 | 19.8 | 16.5 |
| Mahanagar Telephone Nigam* | 14.0 | 12.0 | 9.7 |
| India mean | 20.8 | 17.3 | 14.5 |
| India median | 22.6 | 18.7 | 15.6 |
| **China** | | | |
| China Mobile | 23.7 | 18.6 | 14.7 |
| China Unicom | 23.1 | 20.6 | 18.2 |
| China Telecom | 20.1 | 21.7 | 20.1 |
| China Netcom | 18.8 | 16.5 | 17.1 |
| China mean | 21.4 | 19.4 | 17.5 |
| China median | 21.6 | 19.6 | 17.6 |
| **Other Asia Pacific** | | | |
| SK Telecom | 12.3 | 10.4 | 9.7 |
| KT Corp | 13.8 | 12.2 | 10.6 |

Sources: Bloomberg; BNP Paribas estimates

Financial Year ending for India March; FY09 (YE Mar'09) taken as 2008

"You need to recalibrate the earnings with the last quarter result. We had a revenue growth of 42 per cent and net profit growth of 41 per cent," he adds. Bharti may still weather the bearish sentiment better than others as it has a large portion of its revenues coming from pre-paid customers. Idea and Vodafone officials did not respond to queries on the issue of valuation.

At time of going to press, telecom companies were yet to announce their full-year results, or give any guidance for the year ahead. But analyst firms like Merill Lynch were still bullish on the sector, in a report titled "Will the results disappoint" it says, "Sectors that are expected to show strong growth in earnings are financials, telecom and utilities. These sectors also show a healthy increase in margins."

Net profits for the fourth quarter ended March 31, 2008 are projected to be flat or show just a marginal growth. Only Bharti Airtel's net profit in the fourth quarter is expected to show a growth of 4 per cent sequentially quarter on quarter.

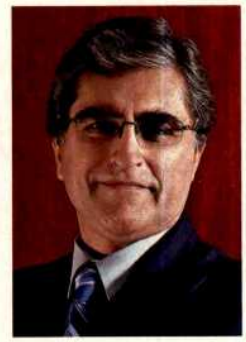
Higher valuations do not come from meeting market expectations but by beating them. However, the fact is, telecom results are unlikely to surprise investors. While the growth is still there, the long-term trend is towards lower margins. Moreover, there are new risks, such as those from 3G licences and spectrum shortages, which can completely change the game for the sector. For now, however, telecom looks as if it holds very few surprises for anyone.

*yatish.rajawat@abp.in*

# (Be)Rating Eyeballs

**by gurbir singh**

TELEVISION VIEWERSHIP RATINGS (TVRS), THE issue of controversy in the broadcasting world every few years, is in the eye of a storm again. This time the Information & Broadcasting (I&B) ministry is stirring up the cauldron. It started with I&B Secretary Asha Swarup writing to the Telecom Regulatory Authority (TRAI) to frame guidelines on how to deal with audience rating systems. Swarup has raised some valid issues: the run to gain higher TVRs by the channels has "inhibited original Indian creative genius"; the ratings system has a very small sample size and is skewed in favour of the big channels; and the preferences of rural households are not measured since they fall outside the targeted 1 lakh-plus towns.



**Broadcasters and advertising bodies fear audience ratings falling under govternment control**

A section of the broadcasters and other stakeholders have also joined in the issue. Kunal Dasgupta, CEO of Sony Television, said at the recent Ficci's Frames-2008 conclave that it was high time the industry worked towards a national audience ratings system, and accused the current TAM Peoplemeter System operated by A.C.Nielson of favouring the big networks.

The brouhaha is understandable, given that big money is riding on these audience ratings. TVRs represent the percentage of the target population watching a particular show and advertisers rely on this data when making media investments. Of the annual advertising worth Rs 16,300 crore, television corners 41 per cent or little over Rs 6,600 crore. It is true that the sample size of TAM's Peoplemeter Systems, and its rival, Audience Measurement & Analytics (a-Map), is fairly small: TAM has little less than 7,000 households covering 148 towns, but excludes J&K, Bihar, Jharkhand and Assam. The a-Map meter covers just 87 towns and about 6,000 homes. Both exclude homes that are not in 1-lakh-or-above population towns.

But there is more than meets the eye in this debate. The sample size and methodology can always be made the subject of controversy. A few years ago, TAM Media was at the receiving end of a Zee-orchestrated campaign. The lists of some of the households that were part of the sample in Mumbai were released to the press to prove that the sample households are an open secret and, therefore, can be influenced by broadcasters. Zee TV then had sunk to the bottom of the pecking order in audience ratings. Now, it is challenging Star Plus for the top slot, and TVR methodology is not an issue anymore! Sony Entertainment Television (SET), meanwhile, has steadily lost ground and is distressed about the TVRs its shows are getting.

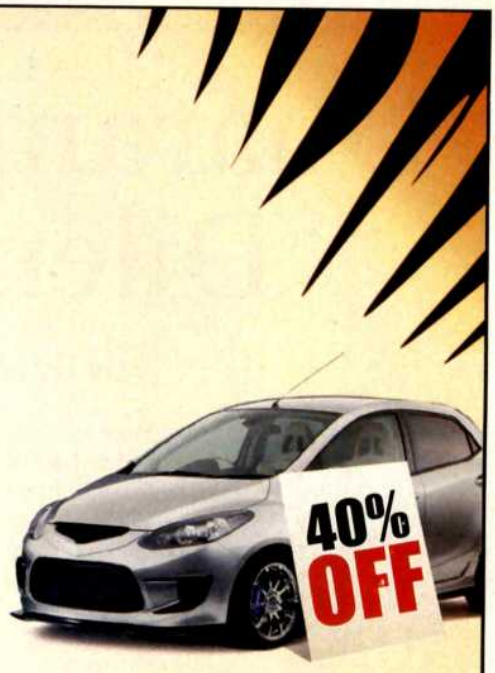
Doordarshan, too, is unhappy. It has a wide reach among rural households; but that does not seem to figure in its ratings. Doordarshan, like Zee TV, was at the top of the heap about a decade ago, but is nowhere in the reckoning in cable-connected TV homes today. This unhappiness has been conveyed to the I&B ministry, which is now determined to teach TAM Media a lesson.

TAM's CEO, L.V. Krishnan, has questioned the need for government interference in what is essentially industry research. Should the government get involved in other industry surveys like exit polls or even newspaper readership surveys? he asks. He concedes that the sample size is small and skewed away from rural households. "Let the stake-holders increase their subscriptions and we can enlarge the sample size," he retorts. Rural coverage, on the other hand, is restricted since just 50 million of the 150 million rural households have TV sets and only half of them are cable-connected. "Let the market mature, and we will provide the coverage," he seems to be saying.

In all this sniping, private broadcasters and advertising bodies are a worried lot. They fear the government may use the disenchantment with TAM ratings to regulate audience ratings, or create its own ratings agency. This would be worse than TAM Media's 'skewed' ratings. They are therefore wondering how to keep the I&B ministry off their turf.

In the ongoing debate, some important concerns need to be tackled. For instance, in advertising-driven television, broadcasters don't view how strongly viewers like a programme, but only how many of them watch it. At the same time, the broadcasting industry needs to bury its differences and ensure measurement systems are free of government control. Meanwhile, the TAM Media model needs to be broad-based by including all stakeholders. In the UK, the Broadcasters' Audience Research Board, a non-profit company owned by a slew of broadcasters and reps of advertising bodies, controls and contracts out the measurement of audience ratings. Perhaps, a similar model would suit India.

*gurbir.singh@abp.in*



If the brands you always wanted
were on SALE,
# What would you do?

Would you eagerly go out and get them, or would you sit back nervous and unsure, too afraid to buy?
The stocks of some of India's best managed companies are currently selling at a discount to their fair market value.

**Instead of being bearish, should you not be tigerish?**

**SMS Tiger** to **575758, dial toll-free 1-800-22-7500**
or **call 39707500** and get an exclusive report
on "**Eight Stocks to Buy in this Market**"

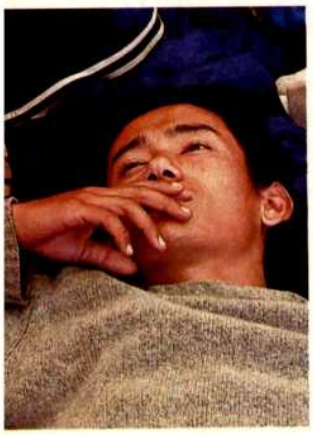
**Sharekhan**
www.sharekhan.com

**This is the time to be Tigerish!**

Sharekhan Ltd.: BSE Cash-INB011073351; F&O-INF011073351; NSE – INB/INF231073330;DP: NSDL-IN-DP-NSDL-233-2003; CDSL-IN-DP-CDSL-271-2004; PMS INP000000662; Mutual Fund: ARN 20669. Sharekhan Commodities Pvt. Ltd.: MCX-10080; NCDEX-00132;for any complaints email at igc@sharekhan.com. Regd Add:- A-206, Phoenix House, Phoenix Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400013. Investing in equities & commodities future involves risk. Please carefully read the risk disclosure document as prescribed by SEBI & FMC and Do's & Don'ts by NCDEX.

# Dharamsala Dilemma

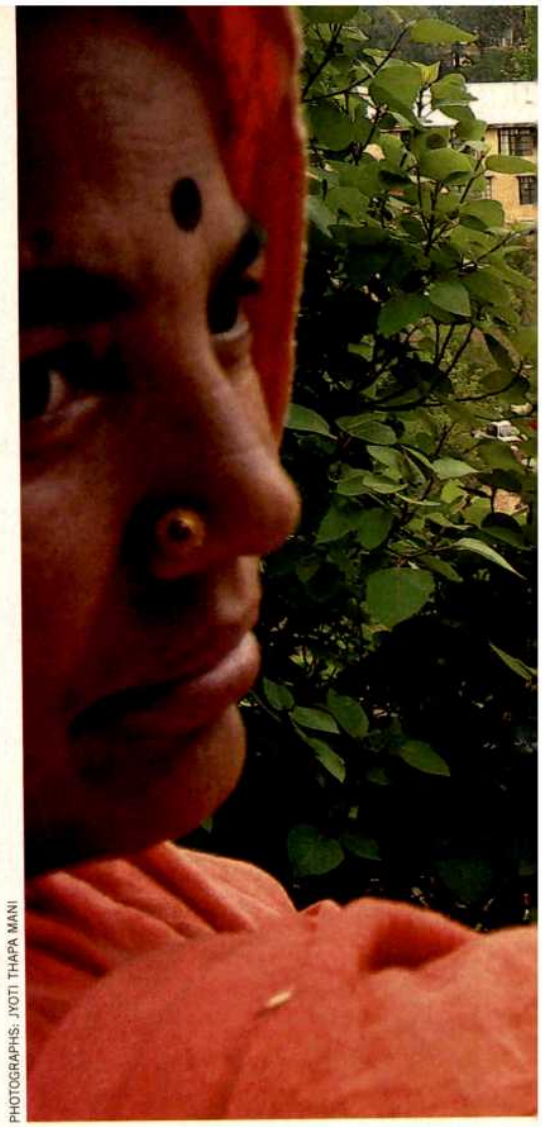
**by Jyoti Thapa Mani**



**Tibetan protests singe hilly town's tourism-driven economy**

IT'S NOT WHAT ONE EXPECTS AT ONE OF INDIA'S most enduring holiday destinations. Monks and nuns outnumber tourists and revellers on the streets of Mcleodganj in Himachal Pradesh as protests and hunger strikes turn the feisty town into an embittered mourner. The Tibetans in Dharamsala shut down their shops from 10-20 March, calling for a 'Free Tibet', protesting against Chinese aggression and occupation of their homeland. Most tourists dropped Dharamsala from their itineraries this year.

"It's the peak tourist season, but business is down 50 per cent compared to last year," says Amar Jung Thapa, proprietor of Yeti Trekking. The protesters, however, appear set to make the most of the intense, but short-lived, international media focus that the passage of the Olympic torch brings to their cause.



PHOTOGRAPHS: JYOTI THAPA MANI

## A Chequered History

Mcleodganj's metamorphosis into Himachal Pradesh's tourist hub, which now hosts 60 per cent of the hill state's national and international visitors, began after Tibetan refugees arrived in 1959. Much before that, it was only a sleepy hamlet peopled by pastoral folk. The First Gorkha Regiment settled down in Dharamsala, the main district town 10 km downhill, in 1861. To meet their needs, Nowrojee, an enterprising Parsi from Lahore, set up the first general store in Mcleodganj, a British picnic spot named after philanthropist Lt Governor of Punjab (1865-70), Sir Donald Mcleod. This landmark is now crunched between some 200 other shops and nearly half as many hotels, and hawkers.

Since March, however, more than half the 250-odd licensed taxis with the Mcleodganj Taxi Union are idle at a time when they would have been difficult to hire. Good ol' Nowrojee's store, for long an indicator of local fortunes, wears a cloak of gloom as well. These days, shops close at 5 p.m. as their Tibetan proprietors gather for a candle-lit vigil outside the Namgyal Monastery, the 14th Dalai Lama's official residence, home since 1961 to the spiritual and temporal traditions of the original 16th century edifice in Lhasa. Emotionally charged Tibetan entrepreneurs appear to have little patience for business as usual, to the dismay of honeymooning couple Robin Gandhi and his wife, who travelled here from Surat. "We were just looking around but they were rude and said the shop is only for genuine buyers," Gandhi recounts. "How dare they misbehave with us?

**CLOCKWISE:**
**LOCAL VIEW:** Tibetans hold mock cremations of those killed in Tibet at the Chauran Khud cremation ground in Ramnagar village of Dharamsala

**FACE OF RESISTANCE:** The protest gallery at the gates of the Namgyal Monastery in Mcleodganj

**EYEWITNESS:** Mcleodganj's first general store, Nowrojee and Son, has seen the town's ascent to the world map

**UNCERTAIN FUTURE:** At the ongoing chain hunger strike in Mcleodganj, a young folk dancer from TIPA ruminates on what might lie ahead

This is our country and we have given them shelter." When Gandhi expressed this sentiment to the shopkeeper, he was driven out with a stick.

Tshering, the owner of a garment store, is apologetic but explains that Tibetans are not very good shopkeepers. "In Tibet, we were originally travelling traders or land tillers but, in India, with no choice, we have been forced to become shopkeepers to survive." The government does not allow Tibetans to hold taxi permits.

## Hot Winds Of Change

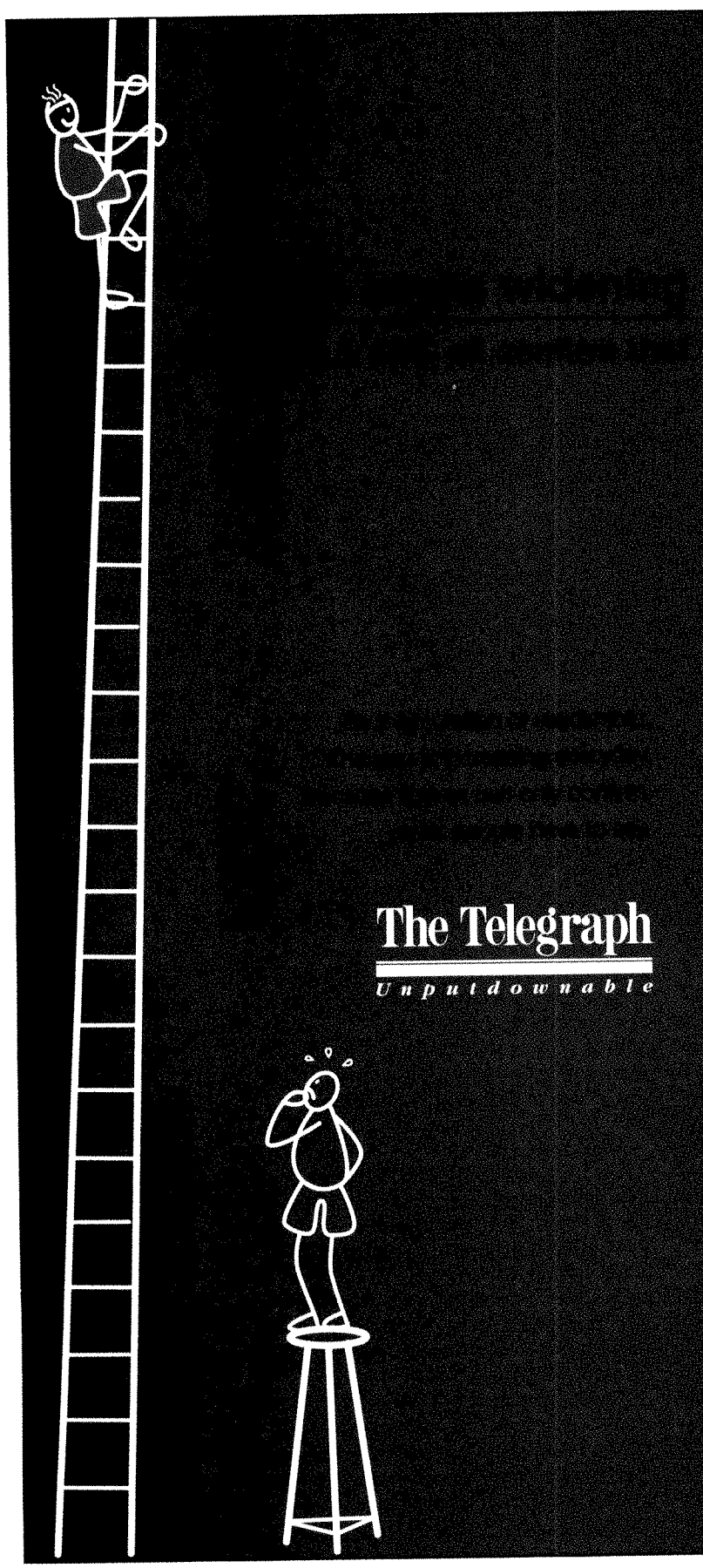
As Tibetan and American flags replace those for prayer, calm Tibetans stand guard at protest gatherings. The spotlight stays on the entrance to the Namgyal Monastery, outside which two chain hunger strikes are on. Its walls are now crowded with graffiti, each new posting generating ripples of interest. Some tourists from UP looked overwhelmed by them. "We have sympathy for them but, what can India do?" one of them said.

Tibetans, on the other hand, have high expectations from India and the Dalai Lama. "India should help us as we are direct neighbours and good neighbourly relations are essential," says Dawa, a young man on hunger strike. "We are demanding that the Dalai Lama, be invited for direct talks to Beijing, to come to a peaceful resolution," says Tshering, an organiser of the chain hunger strikes.

The young are impatient. "We want to return home as soon as possible," says Kalsang, also on hunger strike. But, with no political representatives talking hardball, it's not clear how the Dalai Lama's Middle Way is going to work. Some, like one member of the Tibetan Institute of Performing Arts, say the protests will go on till 26 April; most are unsure how long the momentum will last.

Be that as it may, as 'Free Tibet' rallies keep step with the countdown to the 2008 Beijing Olympics, an entire year's tourism revenues are lost to Mcleodganj. The Olympic torch, meanwhile, feeds the flames of Tibetan protest.

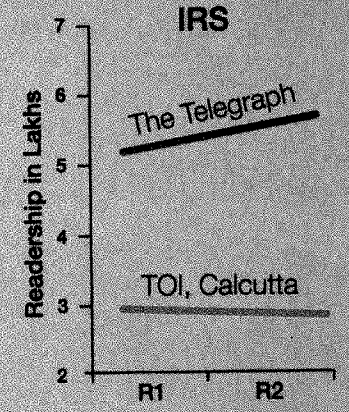
*jyoti.thapa@abp.in*

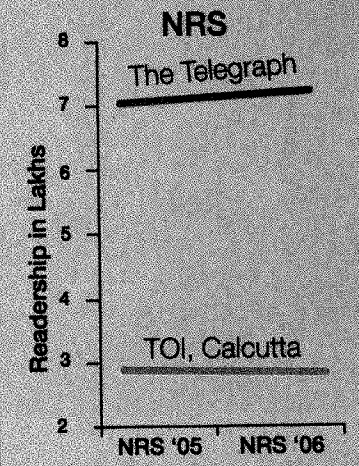


The Telegraph

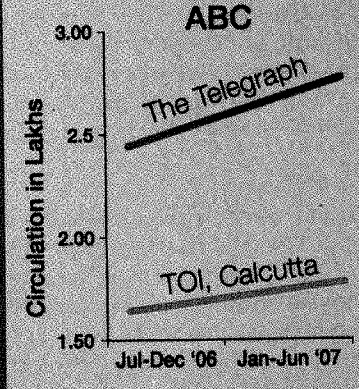
*Unputdownable*

**Widening Gap in Readership**




**Widening Gap in Circulation**




*Figures for Calcutta only.*

3052.2008

# To Grow A Giant Oak

**A leader is a dealer in hope.**
**— *Napoleon Bonaparte***
**by meera seth**

SUBBU SENTHIL WHISTLED A TUNE FROM A BHAGyaraj film as he waltzed into Zaxo Inc's main hall, on Wednesday morning. The Hall, at Zaxo Inc, a customer product support company, was where data was monitored, customer calls happened, quality audits done; it was verily a beehive that buzzed through the three shifts.

Today, the X-team did not seem to be there!

Subbu checked the roster; yes, they should have been there. He went looking for the shift supervisor Barun Guha and found him sitting holding his head. Seeing him, Barun shot up to standing posture and said, "Did they talk to you?" Now the tiles began to fall in place and Subbu scratched his jaw, "Oh yes...they did..."

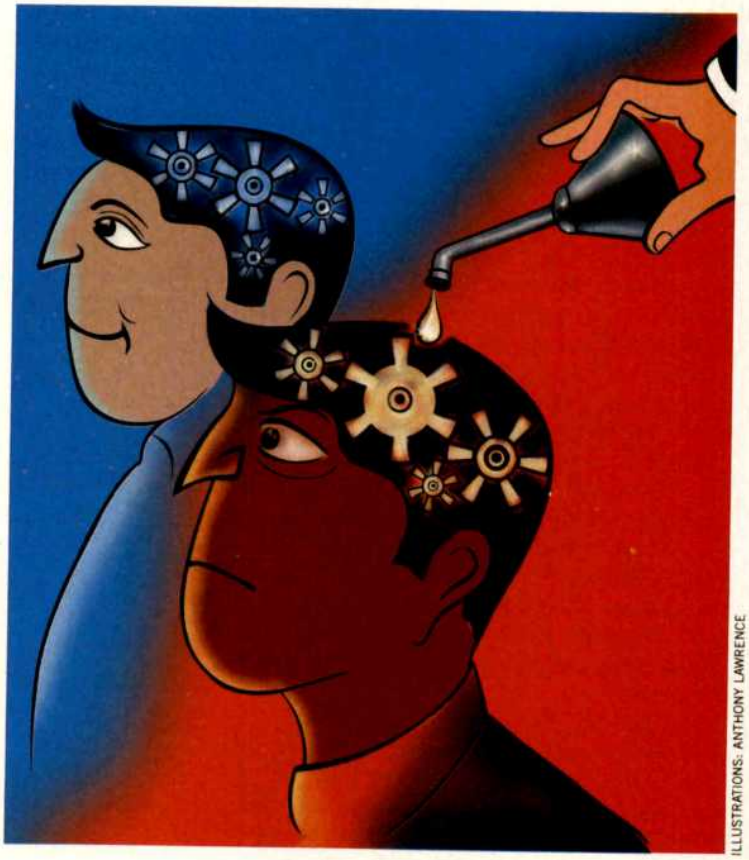
Two days ago, the X-team had called Subbu to say they felt they were not earning enough, that some new joinees were being paid more, that if this was not rectified in a day, they would quit. When the call came, Subbu was in Hosur. When he returned at 9 pm his boss Atul Abreo (the HR head) had left for Chennai. "I didn't think they would actually not turn up! I was waiting to talk to Abreo about their demand this week..." he said to Barun.

Barun groaned. Mumbling various pleas to different forces, he flew out of the door to see the VP, Operations, Nik Dogra.

Nik tried calling them too, but none of the six answered their phones. Nik knew where to find them. He drove out to Café Coffee Day on Outer Ring Road and sure enough there they were playing basketball with a matchbox and a glass. Nik joined their table and took the glass away. He said, "Ok guys, let's talk." Speaking for the six, Vivek Suri said, "Why didn't we get a reply? When we have to deliver, we do, then why is a query from us taking so long? This is unfair! We have not been heard!"

Said Kartik, "We felt we were being paid less. We needed to find out if this was true or not. No one was available for this 'truth test', so we wrote to HR. We waited two days for Subbu Sir. I mean unless we are understood how can you expect us to listen to you?"

Nik nodded and ordered tea and doughnuts. Then he sat and spoke to them. Carefully. Slowly. The problem revealed its real identity: it had nothing to do with pay, it had to do with the fact that they felt no one was listening to them.



ILLUSTRATIONS: ANTHONY LAWRENCE

And these were boys who worked extraordinarily hard.

Back in the Whitefield office, Subbu paced his room, fretting. He did not know what he needed to do. Subbu was new at Zaxo Inc. He was from an MNC tea company and looking forward to working with a young crowd. But what he was seeing alarmed him; when he saw Nik rush off to find them, he had the gnawing feeling that Zaxo was a mad house.

And now Nik returned, whistling a tune, as Subbu watched the six troop in from the side door and head straight for the Hall. Nik herded

Subbu into his room and said, "You know, youngsters are sometimes misguided, sometimes misled, and sometimes unaware of the impact of their actions. Which of us isn't to a greater or lesser extent? Yes? But with patience, you can expect positive results from them."

Seeing the expression on his face, Nik said, "You have kids, don't you Subbu? Then you would have faced that iron look from them too.

"As parents, we think we know what is right for our child. So we insist that they do as we say, because we think our words have wisdom. But the young are saying, 'I can't accept anything as is. Give me logic...develop my conviction.'

"Ditto at the workplace; 'Train me' means, 'Tell me what is all this, allow me to ask questions, be happy answering them, show me the way, don't expect me to 'understand'; I need to know why you are doing what you are doing...why should I believe you?'

"Young people need to experience before accepting, believing. Neither is he going to give you too wide a berth to ramble and preach. What that means is when you get that one-minute window with him, you have to deliver; if not, bide your time and wait for the window to open again. This time round you had better be right; if not, you are not being saved into their address book. They gave you two whole days Subbu...that was a real wide window! Need to be alert, hmm?"

Abreo too had had his test by fire early this year. This is what happened. A new batch of fresh engineering graduates of about 22-23 had to undergo rigorous training followed by a test. The Six Sigma test had peculiar results. Eighty five per cent of the trainees in that batch got the same questions right and the same questions wrong. They had just copied the answers from one person.

Now, the Six Sigma test is an open book test. And while it was possible for everyone to get the same score, it was impossible to get it by getting the same questions right. So Abreo confronted them. He said, "We are discussing trust here. Our customers trust us with their systems and their investments in information technology. We expect the same of you." He wanted to know who started this. No one owned up.

An hour later, a youngster walked into his office and said, "I started it. I am morally responsible and thought I should own up." He went on to explain that as it was an open book test, they did not think there was any harm in copying.

When Abreo discussed this, Nik said. "No they were NOT cheating...they interpreted what was before them. You needed to have told them in advance that open book is not equal to asking another...in fact, this is such an amazing moment for them to discover that hairline difference between correct and incorrect!"

**"Young people need to experience before accepting, believing. When you get that one-minute window with them, you have to deliver; if not, wait for the window to open again"**

Abreo would not agree. When Nik called the batch and spoke to them, they told him that the training was too tough, there was too much happening in the classes and too little time to absorb it in, the subject was not very interesting and as it was an open book test, they thought it wouldn't matter. Nik looked at them and said, "I give all of you a chance to study harder and give another test!"

Abreo protested, but Nik said, "Technology biz is tough and derives its ability to evolve and grow from boys like these! Be accepting and allow for adventure. Youngsters have their own logic...Be attentive to those values and realign them with what is required by Zaxo. Understand that it is not that their rule book is entirely different; their filters are different."

Despite all his misgivings, Abreo knew he had cut his milk teeth on this one episode. That day when they stood in the training room facing each other, he had to admit, the boys were honest.

That was why this day when the boys walked out, Abreo knew it would get sorted out. Besides, it would do Subbu some good to get knocked about a bit, he thought.

Abreo himself had been handpicked by the fastidious Nik to head HR at Zaxo. As business grew, so did the complex web of behavioural issues. Now Nik needed a mentor for the floor staff — someone they could work with daily. He said to Abreo, "I need a shepherd, not a butcher. Those boys and girls are my core assets, my wealth, and I need to grow them!

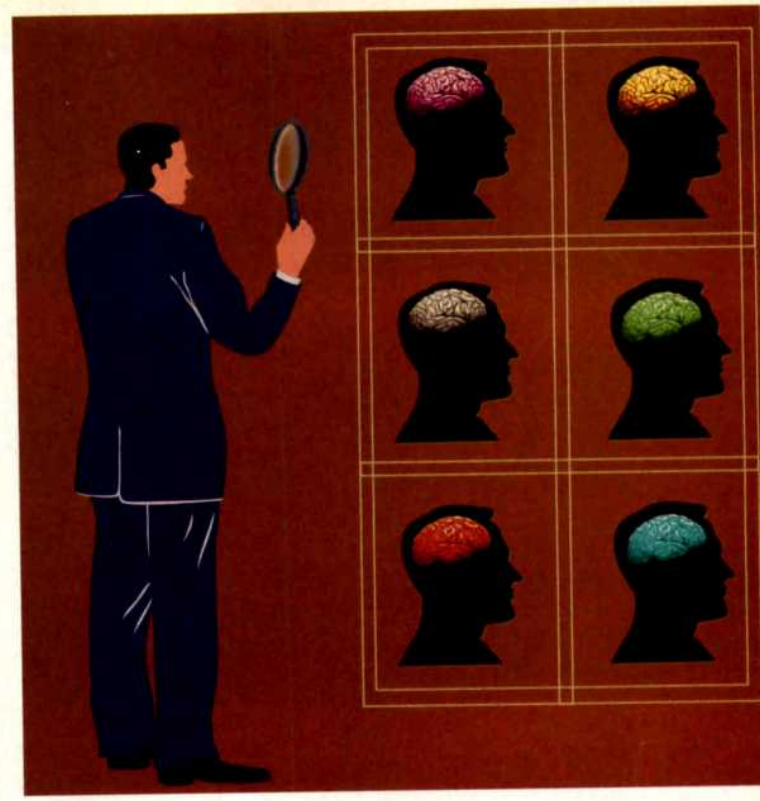
"There has to be a common, shared understanding of the environment...If they are seeing blue and you say it is red, they think you have a vision problem. You have to be able to see blue with them and together discover the red."

Abreo met a number of candidates and rejected them all. Finally, he decided he would get a good human being and then train him.

Enter Subbu Senthil. Subbu was not an industry specialist. He was a regular business HR manager who addressed business verticals within an organisation. Abreo liked him because he was eager, lean and hungry and very willing to hear new thoughts. Abreo hired him, and said, "Go Subbu, feel the place, figure out what happens here and why. You have two months, during which to tighten the noose round your neck or take it off!" he had said.

To Nik he said, "He is okay. I will see to it he flowers and blooms from his laidback tea estate mentality to that of a furiously attrition-hit BPO in Bangalore!"

That very Subbu sat for lunch across the table



from Abreo and said, "So what we have here is a certain bunch of young boys who felt a certain neglect, a certain feeling of 'nobody wants to hear us out' and compounded by an additional doubt that maybe we don't matter at all which can also mean that they are probably underpaying us...and to validate this they staged that walkout. Isn't this unusual? Or now are you going to tell me like Nik did, that this is typical of the young everywhere?"

Said Abreo, "It is typical of people in general — they begin with one feeling, it germinates, grows fungus, becomes another problem altogether and the attention is drawn away from the original problem with the growth of a large cauliflower patch that no one knows where it came from, if you know what I mean."

"No, I don't know what you mean," said Subbu. "Okay," said Abreo, "Say, I begin by telling myself, 'My customer is not paying me in time and I will not respond to her calls the next time.' I, foolishly, actually do this. However, the opportunity to discuss my payment problem is in taking the call! So, the discussion gets delayed and the problem festers. Meanwhile, my customer has been through two failed calls and is not calling anymore. So, one day I decide, 'I'll show her.' I call her and tell her I am not free. That my time has been taken up by other projects, which, in any case, pay me more than what she was paying me.

"When I do this, the customer says, 'Oh, wow! I didn't know I was paying less. I can't really offer to pay more, so let me close this right here.' She then proceeds to tell me that I can take a walk. Me, the arrogant, fuming, fungal-growth me, is now feeling worse, 'Yeah, first she doesn't pay me enough, then she tells me to take a walk! I won't visit the friend she referred me to. I don't need work from those sorts.' You can see the real problem is drifting away..."

Subbu found this fascinating. But he was not going to fall for this yet. He knew the young. Why, he had a 26 year old younger brother, and Suku did not behave like this at all.

Meanwhile, the Christmas decorations went up on the walls and ceiling and windows and Zaxo wore a festive look.

But, the festival season brought a different bag of tricks. Xyaxil, a key customer, was the world's largest vendor of MP3 players and Zaxo did product support work for them. This season the volume of work grew exponentially, so soon and so high that Nik interrupted his day's work many times to study the data dashboard in the shift supervisor, Barun's cabin.

Barun's monitor showed the calls that were being attended to, the geography they were from, the number of calls an agent had already taken in a shift, the number of minutes left in an agent's shift, the likely predicted call volumes for the next hour based on past traffic conditions — it was a very sophisticated data dashboard that was live and used some very fancy algorithms to keep business numbers in check.

**Everyone worked for 30 days and then threw up their hands and revolted. Hell, they said about the workload; 'slave driver', they called Nik; and 'to hell with it', they said when they worked through the New Year**

As the week grew, the growing volume became a reality and Nik knew he could not hire and train more people as quickly as he would need to. So, he told everyone, 'We have had some unplanned growth in business and everyone needs to work six — even seven — days a week to cope with the extra volume of work.' Everyone worked for the next 30 days and then, after that, threw up their hands and revolted. Hell, they said about the workload; 'slave driver', they called Nik; and 'to hell with it', they declared when through the New Year they worked without a break.

Nik called the 60-member team, and spoke to them. "I will recognise those who are helping out. And, most of all, everyone is free to decide if they want to or don't want to help out. No penalties. No repercussions. If anyone said 'No' to me, I would respect that decision."

Ninety eight per cent signed up for the extra work. Nik heaved a sigh of relief. For Xyaxil was big business. What gave comfort was the fact that the engineer at Zaxo who took the customer calls for Xyaxil knew the product backwards, had access to details of all the previous calls a given customer had made for the product (date, time, issue, was it resolved, what were your comments at the time, do you own any other Xyaxil product, etc). Plus, he was an ex-

pert in the geography of a customer.

Now, Xyaxil introduced a product this year that was a hit for Thanksgiving and Christmas. This new MP3 player called Xy (pronounced Zai) used MPEG-4 files as well, so it played music and also video. Xy had whipped up a huge demand because it was cheap, played video files, was as cool looking as the iPod — a retro stainless steel chassis which made it a 'Harley Davidson meets Captain Spock' kind of player.

People gifted it to all kinds of people. Suddenly, as people who had no previous experience with Xyaxil products began to open the packages and install the product, they faced problems. Now MPEG-4 is a developing standard divided into a number of parts. Developers decide which parts they will implement and companies using MPEG-4 do not always state the part-level compatibility of their products. Xyaxil had done exactly that. So, some video files were not playing on Xy although technically they were MPEG-4 files. The calls that choked the lines at Zaxo's product support centre were about this. Zaxo experienced a surge in demand for support they were not prepared for. One bad developer in the US had sent fortunes via MPEG-4 India's way, no doubt, but the team at Zaxo was not impressed.

And this is why.

Normally, a support call for a product took six to seven minutes to resolve. So, in an eight-hour shift, an agent handled 68 calls. Now, with the increase in sales, the number of incoming calls had gone up by 30 per cent. Additionally, to make matters worse, the new users were slow to understand what to do with the video files that would not play. So each call took about eight to nine minutes to resolve. So, all in all, in a given shift, for each available engineer, the number of unattended calls was in the region of 30 to 40. The only way to manage the calls was to extend work hours and increase shifts from eight hours to 10 hours and work weekends as well. Meanwhile, call volumes climbed over a period of two to three days.

Nik began to sense what was going on and searched for answers: It was holiday season and new users were calling. What he did not see was how popular the product was becoming as a gift since it was happening in a geography he did not live in and in a company (Xyaxil) that he was not part of. Now, volumes did go up every year during holiday time, so he knew it was going to happen. But the extent to which it happened came as a surprise.

Having lost out on Christmas revelry and now New Year, the boys refused to work further.

Subbu panicked. Going to Barun, he said, "Considering the boys are the ones receiving the calls, surely they can see the volumes are goin up and it is not that we are making them work

Barun shook his head, "Agents don't get t 'sense' the increased call volumes. It isn't as they hear the phone ringing at every desl Nope. That's not how it happens. A very sophis ticated system holds calls as they come in, rout ing them to the right set of agents as they ge free. If while the caller is waiting, no one is fre the caller hears a busy message and is requeste to wait. The person who does get to see the in creasing volumes is the floor supervisor, m Only my monitor shows the data."

As he stood there hand on head pondering Nik and Abreo entered. Said Abreo, "W thought this was routine spiking in volume and would normalise after the initial climb o after the season was over. And this is what w told them but that is not what is happenin Subbu, so now the team is refusing to work."

Nik added, "My guess is that I had not tol them enough, not bought them in, not expose them to the options. Earlier, I had just said, 'W have more work. You have to do it.' That didn' work."

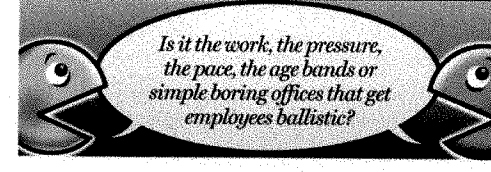
Subbu stood before his two bosses and said "With due respect to all that you do and know, have one question bothering me ever since th last time the boys bunked work: This sort o work increasing exponentially is common t most businesses. At the tea factory where I was we just worked. And I am sure everywhere els people work when there is work and when there is more work, people work *more*! So then, wh are we making these people special? Should w not be handling all the young alike or is this I specific and if so, are we deifying them? I don' understand this...!

"I was an MT at 24-25; we roughed it out an we were not allowed to just walk out like this We were sent out to horrific places on sale training. We had ogres for bosses — bosses wh told us to take State Transport buses while the flew business. We have stayed in hotels with no even a fan. Are we saying the environment ha changed? People have changed? Businesse have changed? What is it? And what ha brought this change? Therefore, are we han dling the situation without the right solution?"

**"Work increasing exponentially is common to businesses. At the tea factory where I was, we just worked. And I am sure everywhere else people work when there is work and when there is more work, people work *more*!"**

*casestudymeera@gmail.com*

**Classroom/syndicate discussion**



**ELGI**
Think Long Run

# AIR POWER that acts infallibly in both.

40 ° C
QUARRYING AND SANDBLASTING IN A MASSIVE CONSTRUCTION PROJECT IN MIDDLE EAST

-10°C
PUMPING CRUDE IN A NORTH AMERICAN OIL RIG

## ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather
▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

## ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

**Branch Offices:** Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326
Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

**Overseas Offices:** Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

**Toll Free Customer Care Number 1800 - 425 - 3544**

iB&W/ELGI/08/08

# Gen-X Tripping

**Understand the frames of reference of the young, don't just see them from your own**

WELCOME TO THE WORLD OF KNOWLEDGE WORKers. Peter Drucker defined knowledge workers as "those who know more about their work than their managers will ever find out". Nik Dogra is right when he says: "Young people need to experience before accepting, believing." For the Gen-X, life revolves around three key justices, viz, distributive justice (right reward for contribution), procedural justice (transparency in the rules of the game) and transactional justice (interpersonal fairness). So, their striking work over not getting a response on a burning issue, is not surprising.

Subbu is not alone; there are many other HR managers who are experiencing this 'Gen-X shock'.

Zaxo's agents represent the new-age workforce — bright, ambitious, with a mind of their own, upfront in communication, demanding involvement, not mere information, in decisions impacting them. It is not difficult to fathom this generation at work if you care to try; smart HR managers invest time understanding them, for not doing so means misunderstanding them as happened with Abreo, the HR head of Zaxo, with the new batch of fresh engineers.

Perspective change and paradigm shift are key competencies to successful managing of the Gen-X. Have you ever heard of a twenty-something tearing off his salary review letter and throwing it into the dustbin right in front of his department head? Well, if you belong to the baby-boomer generation, you would consider that a blasphemy! I have seen many such instances.

And believe me, it is not with an intent to insult. It is just the Gen-X way of expressing disapproval with what they see as unfair. And their verdict is always expressed; suffering quietly is not for them.

What happened at Zaxo with Xyaxil's product-support team is a classic case of unplanned management. Customer support centres are already a source of stress, given their regimented, "monkey-see monkey-do", measured for minute-by-minute performance demands.

Perpetuated by graveyard shifts and out-of-rhythm schedules, both at work and off work, agents go through tremendous adjustmental issues and so it should not surprise Zaxo or any BPO — who should know by now — that they have low tolerance for surprise increases in workload.

And if you are their boss and did not prepare them with what is in store for them — both the load and the reward — your credibility will drop.

In one of my earlier stints with an MNC, a training manager, who came on board from a non-IT company with great credentials, had the shock of his life during a two-day technical training programme. The external faculty was an average communicator and even below average in subject matter expertise as it became evident in the company evaluation form. But what happened during the training was a rude shock to him. On the afternoon of the first day, a bunch of engineers walked out of the training, never to come back again and the second day only had the trainer and the training manager in the room! That's the Gen-X way of communicating their protest against a lousy training programme!

I had to counsel the training manager not to feel too upset with those employees and not to regard them as indisciplined.

They simply were not keen to waste time and went back to work.

As Nik rightly pointed out to Abreo, "Life in the technology business is tough and interesting — but allow it to be adventurous, accepting." If Abreo reflects on this, he would understand the wisdom behind this comment rather than view it as either philosophical or hopeless. The Gen-X is admirably clear about what they want and more importantly, about what they do not want.

When it comes to managing them, I am reminded of Prof. Warren Bennis' apt comparison: Managing people is like herding cats. Try herding your pet cat from point A to point B, no matter how long it has been your pet, it is not going to work.

So is managing the Gen-X, with a mind of their own. So, go back to the advice of Prof. Bennis: "When it comes to cats, it is milk before meat!"

Translated into managing the Gen-X, it means understand them and their frames of reference rather than seeing them from your own. Nik Dogra did it with tea and doughnuts, but more importantly with listening to feelings. They followed him back to work, having spoken their hearts out.

Gen-X is different for sure. It is our inability to fathom and respond that makes us think they are difficult.

*The author is Executive Vice President and Chief People Officer with Symphony Services Corporation*

# When new opportunities emerge...

TATA

Our Insta™CC on-demand hosted contact center solution provides quick set-up with advanced features like predictive dialling, performance based call routing, IVR and world-class voice and email multimedia solutions.

With Insta™CC,
we go beyond connectivity.

- **Fast Development**
- **Zero CAPEX, Pay-Per-Use**
- **Flexible Infrastructure Totally Managed by Tata Communications**

INSTA CC
CONTACT CENTRE ON DEMAND

Call now to fix an appointment at 1 800 209 8765
or email mysolutions@tatacommunications.com

For more information,
visit us at www.tatacommunications.com

Connectivity Services
Data Center Services
Collaboration Services
Audio & Web Conferencing
Business Messaging
**Contact Center Services**
InstaCC On-Demand Contact Center Services
Hosted Contact Center Services
Managed Voice Services
Managed Security Services
Professional Services & Outsourcing

TATA COMMUNICATIONS

TAKING YOU FARTHER™

sharad heda

# Culturally Shocked

**A change in work culture is affecting traditional managers managing the young**

IMAGINE SUBBU, IMPORTED FROM A QUIET TEA ESTATE to the hive of activity that is live technical support for technology products. I can see the big differences in work environments: the tea estate has a pace of growth measured in seasons, as tea bushes grow, bud and flower. The process of growing the tea is one of nurturing and nourishing, where the daytime sun and temperatures decide many fortunes. What a far cry it is from global customer support where there is no concept of day and night and everything is required in the present tense. Plus, not one pretty tea bush in sight!

It is easy to believe that Subbu does not understand the technology environment. But, more likely, he is having difficulty adjusting to the thinking of a generation that he finds rude, crude, immoral, unethical and just plain abhorrent.

By contrast, Nik is at home in the culture of the young, having re-calibrated his concepts of loyalty and ethics. He has abandoned the merits of hardship and does not say things like: "In our time, we worked hard, followed instructions and accepted what the company had to say." I don't believe that hardship builds character and I don't believe that kids are destroying the sanctity of our workplace with their culture. In fact, it is not "our workplace" any more — it is "their workplace".

Nik is probably the kind of person who understands this. He knows that the biggest differences between this generation and the previous lie in the concepts of trustworthiness, security, work ethic and rewards. He also knows the role and value of mentoring and is ensuring that the 'kids' give as much of their capability to the company as possible in the short period they are going to be around. Nik's contribution to changing corporate culture is the ability to break through practices that don't produce results.

Changing jobs frequently is no longer a taboo — and in the years to come, it will not impact the quality of a CV. I believe that transformation in assessing a CV has already begun. Youngsters don't think twice of changing a job every two years. For them, job hopping is not a sign of disloyalty. If anything, the five jobs they do in 10 years strengthen their self-belief. It confirms something they already know: Companies can do more with their skills than with their loyalty. And organisations have to learn to cope with the shorter employment cycles.

Most youngsters will tell you that switching jobs has made them more secure than ever before. In today's world, marketability equals security. They will tell you that their experience is their security blanket. They will tell you that their breadth of experience will ensure they don't get pink-slipped in their 40s. The security is built by them, not by the company they work for.

Imagine a youngster, fresh out of college, looking for the right kind of job. She tells herself, "I am young, without a house mortgage or a car loan...this is the right time to switch jobs and find my groove. If I don't do it now, there's an even less likely chance of me doing it when I am 35."

Besides, she is thinking, "There are so many jobs out there. I can't possibly let one job bore me to death." She is looking for challenges, learning, different things to do, stimulus, experience, meeting different people. Can one job really provide all this?

The situation at Zaxo, when work hours increased from eight to 10, exposes the work ethic and culture of today's generation. My father would have reprimanded me for not putting in the extra hours, saying that hard work was all about staying back until you were required. But today's generation is saying something quite different. It wants to work hard within those eight hours.

Today's generation won't leave early from work, and no sir, they won't stay back late either. Three cheers to that!

Today's world, with long commutes, 24x7 availability thanks to cell phones and WiMax networks, two-income families, has made life stressful. A person works nine hours, commutes two, sleeps eight, uses an hour for meals and is left with four hours to manage cooking, cleaning, shopping, pursuing a course to upgrade skills, meet friends, date, visit relatives and catch some personal time to shoot the breeze. Where's the room for extra hours of work? I'd say that if a person puts in an hour of exercise, she can be healthier and more productive at work. And she is telling herself the same thing: "If I put in extra hours at work, I am inevitably going to go downhill on productivity. Does that really help my cause?"

When I was young, my dad used to say, "Eat to live, not the other way around." Today, he'd be hearing youngsters say, "Work to live, not the other way around."

*The author is the Chief Operating Officer of Microland. He can be contacted at SharadH@microland.com*

# Not Just A Logo But An Initiative That Will Benefit 65 Lakh Weavers & Protect A Rare Skill & A Proud Legacy

Shri Shankersinh Vaghela
Hon'ble Minister of Textiles, Govt. of India

Smt. Sonia Gandhi
Hon'ble Chairperson, UPA

Dr. Manmohan Singh
Hon'ble Prime Minister of India

Shri E.V.K.S. Elangovan
Hon'ble Minister of State for Textiles, Govt. of India

# Handloom Mark

## The Assurance of Real Handloom Creations

**Handloom**

Every product that bears the 'Handloom Mark' certifies the authenticity of the product being an original hand-woven produce created by 6.5 million handloom weavers

**Office of the Development Commissioner (Handlooms)**
Ministry of Textiles, Government of India
www.handlooms.nic.in

**Textiles Committee**
(Implementing Agency)
Ministry of Textiles, Government of India
www.textilescommittee.gov.in

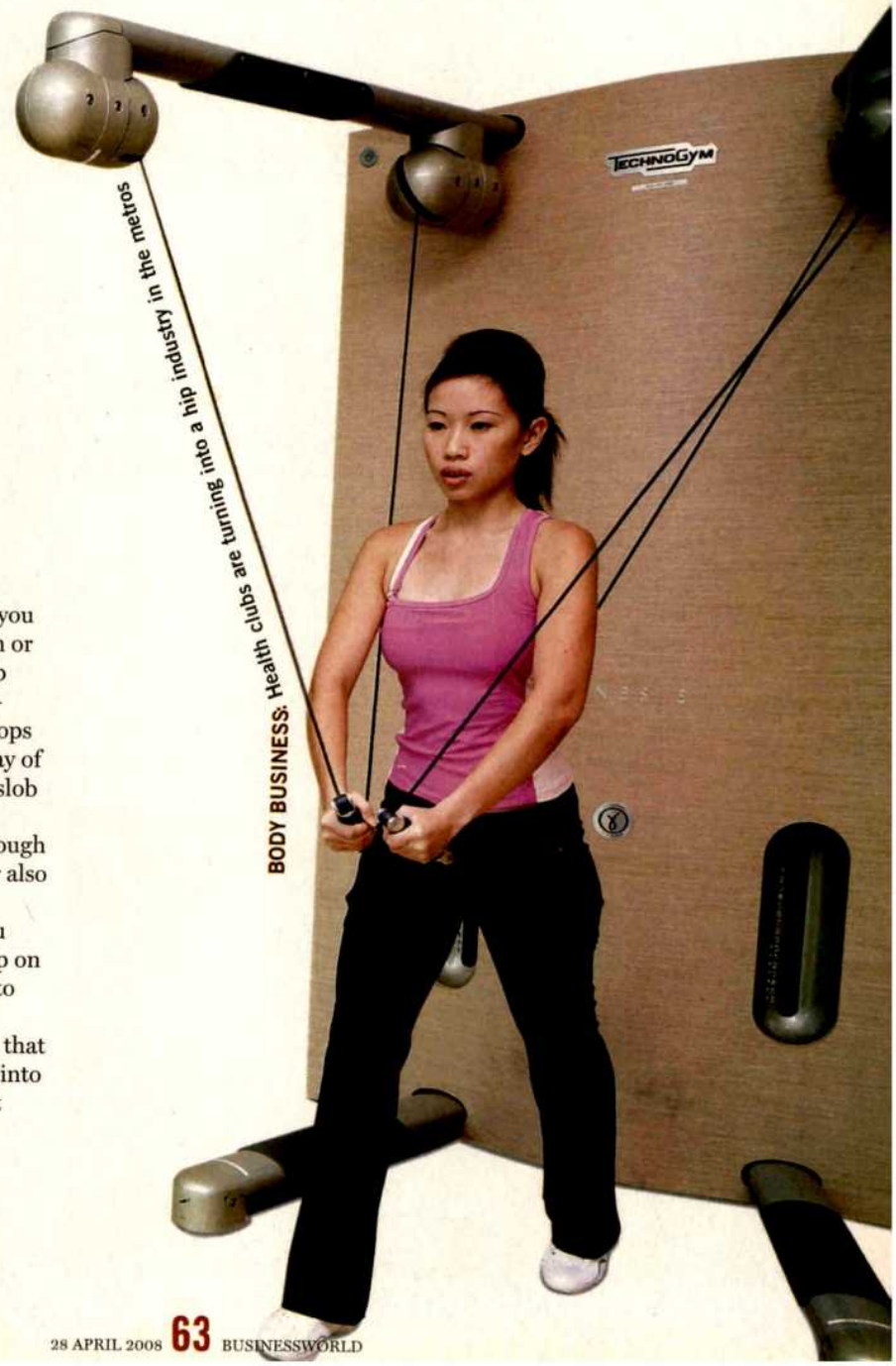
India's rich heritage. Use Handloom products with pride

songs that bring back
those great memories.
friends 91.9 fm,
just like the old times.
91.9fm
friends
bondhu...tomaar jonyo
come together with friends
BATES DAVID ENTERPRISE 2631

HEALTH

# Get physical

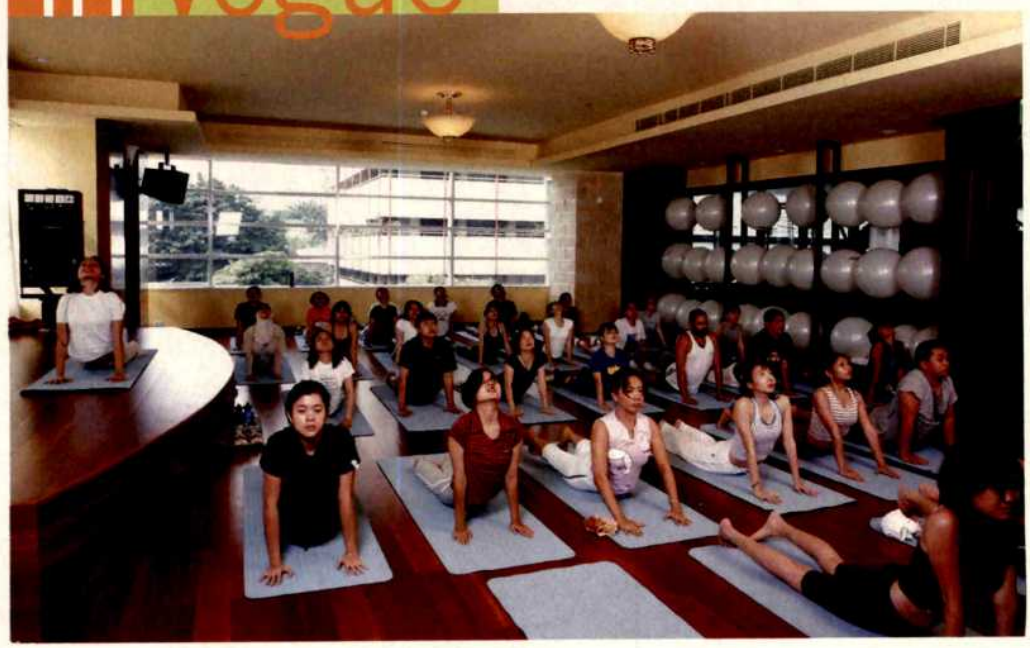
**Global fitness chains are on their way to help podgy Indians battle their bulges and get into shape**




BODY BUSINESS: Health clubs are turning into a hip industry in the metros

MIND OVER MATTER. SURE. BUT SAY THAT looking into a full-length mirror. Some of you may realise that you are no longer the man or the woman you used to be. Try covering up that midriff overhang with euphemisms — those oversized love-handles and muffin-tops — yet those could just be coming in the way of your love life and even making you look a slob before your business associates.

Procrastination may have taken you through years of lethargy, but now that your doctor also insists that you need to get back into the human shape as Nature meant it to be, you may consider joining a health club. Give up on the excuses, such as that you will not fit into gyms crowded with sweaty, grunting, exhibitionist youngsters. The good news is that the health club business is rapidly turning into a hip industry and even the world's biggest



**BEND TO MEND:** Yoga is part of the à la carte menu of the fitness chains around the world

fitness chain, Fitness First, cannot resist the new, big-spending, body-conscious Indian. Many other global fitness chains, such as Celebrity Fitness, California Fitness and 24-Hour Fitness, are expected to follow.

"We are trying to change the way Indian consumers look at health clubs," says Vikram Aditya Bhatia, CEO of Fitness First India. For one, Fitness First plans to make its facility size large enough to take care of any sense of claustrophobia that its members might have felt at smaller fitness centres — its floor space can take four-five basketball courts. Even in Mumbai, where real estate is very expensive, Fitness First is opening an 18,000-sq. ft health club in Andheri, a suburb.

India's home-grown fitness chain, Talwalkar's, which has 33 gyms across India and about 5,000 members, is also looking to offer bigger, better facilities. For easier access to large premises in upmarket shopping zones, it has tied up with retail major Pantaloon.

The best part of being a member of a health club chain is that you can use its facilities in other places too when you are travelling. That is where a global chain will have an edge over a domestic chain. Rather, there is no option for a high-end fitness chain but to go global.

Also, at large fitness chains, you have an à la carte menu of workouts. At Fitness First, for example, you could take up serene yoga or pump iron or aerobics or just soak in the sauna, if you like to count that as a workout. The large health clubs also offer lounging facilities and try to be alternative places for socialising or even confabulations.

**FITNESS ON THE GO:** Members of global health club chains can use their facilities everywhere

However, it is going to be hard for the global fitness chains to grow in India because of high real-estate prices in key cities and poor infrastructure. "We would have liked to open bigger gyms in the heart of Mumbai, but the rental and real-estate prices are higher than any other part of Asia," says Bhatia. He points out that the cost of daily operations of a health club in India is 40 per cent higher than in even Bangkok or London due to the need for power back-ups here.

Still, Fitness First plans to start with about the same fee in India as it charges elsewhere in Asia — Rs 2,700 to Rs 3,750 per month, depending on the tenure of subscription.

Anyway, a few bucks here or there is not the issue; the love handles and the muffin tops are.

*K. Yatish Rajawat*

www.statebankofindia.com

State Bank of India
*With you - all the way*

**Pure Banking. Nothing else.**

# ONE KIND OF SWEEP AND REVERSE SWEEP!

## Power your Current or Savings Account with the sweep and reverse sweep option!

A value added savings option indeed! With Surabhi Deposit Scheme your excess money in Current/Savings account is automatically transferred to a high interest Fixed Deposit.

- Auto sweep automatically transfers surplus funds to high yielding fixed deposit account.
- Corporates, Institutions, Trusts, PF firms etc eligible.
- Period of term deposit is 12-36 months.
- Threshold limit to be maintained is Rs. 50,000. (For non retail customers)

SBI SURABHI DEPOSIT SCHEME

**Please call our SME Heads on the numbers mentioned underneath, for further details. We shall be happy to be of assistance.** • Ahmedabad (079) - 25501032, 25509751 • Bangalore (080) - 25943168, 25943156 • Bhopal (0755)- 4288215, 4288189 • Bhubaneswar (0674) - 2393336, 2396330 • Chandigarh (0172) - 2702434, 2725581 • Chennai (044) - 28214307, 28214551 • Guwahati (0361) - 2237547 • Hyderabad (040) - 2346 6240, 2346 6241 • Kolkata (033) - 22317355 • Lucknow (0522) - 2234003, 2234034 • Mumbai (022) - 6751 4408, 6751 4409 • New Delhi (011) - 23407440, 23407143/19 • Patna (0612) - 2209077, 2209096 • Thiruvananthapuram (0471) - 2323076, 3290519

## Entertainment

### NOT YOU, MADONNA

**RAUNCHY POP DIVA Madonna's intent to remake the 1942 monochrome classic, *Casablanca*, has alarmed fans of the Hollywood masterpiece.**

**Not only does she want to direct the film and update it by situating it in war-torn Iraq, but also plans to perform the lead role of Ilsa Lund originally essayed by a stunningly beautiful Ingrid Bergman.**

**Remakes are never a very good idea to begin with. And to pull one off successfully you need to be either a Peter Jackson *(King Kong)* or a Tim Burton *(Charlie and the Chocolate Factory)* at the very least. Madonna's movie-making credentials, however, invite no such faith.**

**Her directorial debut, *Filth and Wisdom*, screened at the Berlin Film Festival in February, failed to impress critics.**

**One can't help but wish that Madonna would pick another script to experiment with. It is hard to imagine anyone except the charismatic and broody Humphrey Bogart play the cynical and tormented Rick Blaine and deliver the memorable line: "Of all the gin joints in all the towns in all the world, she walks into mine."**

**It is even harder to imagine Madonna as the ethereal Ms Lund, who could torment even worldly-wise men's souls.**

***Sumati Nagrath***

AP

CINEMA

## Asterix in trouble

REUTERS

**OUT OF POTION: Asterix movies lack the the magic of the comics**

THE SKY, SOMEHOW, keeps falling on the heads of Asterix movies. While *Asterix and Obelix vs Caesar* (1999) and *Asterix and Cleopatra* (2002) had little global appeal and met with limited success in France itself, the third and the latest, *Asterix at the Olympic Games*, has been panned by French as well as global viewers.

*Asterix at the Olympic Games*, the most expensive French film ever — it cost €78 million to make and €22 million to market — fell between two stools. Its French directors, Frederic Forestier and Thomas Langmann, tried to make the jokes in the film more global and current, but ended up not impressing the global audience and downright offending the French for whom comic hero Asterix is a cultural icon. For example, in a scene where Brutus, who is not in the comic book, turns up to examine the Roman troops, he makes foolish faces and asks the troops whether they were expecting to see Russell Crowe. In fact, the nearly two-hour film has greatly stretched the basic plot of the comic book. Most French critics slammed the movie for being a tepid, idealess stew.

By Toutatis, Asterix and Obelix deserve a good break on the silver screen.

*Janhavi Abhyankar*

**Viking art: Rising out of water and looking like an iceberg, Oslo's new opera house is an architectural marvel. It was first planned 127 years ago.**

ART

# US tops footfalls

SURPRISE! SURPRISE! It is not the French art exhibitions that get the most visitors, but the American. According to the annual art exhibition visitors' census by the London-based *Art* newspaper, in 2007, New York City hosted a quarter of the 100 most visited art exhibitions. In comparison, Paris hosted only 7 per cent of the top 100. However, Paris' Louvre Museum continued to be the top destination for art visitors in the world. It received 8.3 million visitors last year compared with 4.5 million received by America's most visited art museum — Metropolitan Museum of Art.

The single most visited art exhibition last year, though, was not in either country. That position was taken by 'The Mind of Leonardo' at Tokyo National Museum. It averaged 10,071 visitors a day over three months. Interestingly, this show consisted of only one original painting of Leonardo da Vinci, 'Annunciation'. Besides the general Japanese fascination with Western art and culture, the show got a boost in attendance because of publicity generated by the opposition in Italy to sending the painting to faraway Tokyo. Among the decorative art exhibitions, fashion icons led the category. The most visited exhibition in this category in 2007 was 'Poiret — The King of Fashion', at the Metropolitan in New York. It displayed exhibits on the life and work of designer Paul Poiret.

BLOOMBERG

**TOP DRAW: Louvre gets the highest number of art visitors in the world**

BLOOMBERG

BON VIVANT

# A date with Darroze

**STAR PARISIAN CHEF HÉLÈNE DARROZE NEVER WENT TO culinary school. Nor did she start off in her mother's kitchen at a very young age, as is the case with most traditional European chefs. Yet, today, she has her own Michelin two-star restaurant in the heart of Paris. She is one of a very few women Michelin star chefs. And now, much to the delight of French cuisine connoisseurs in London, she is all set to open her restaurant in *The Connaught*, one of the oldest and grandest luxury hotels in London.**

**Although Darroze, a restaurateur's daughter, acquired a business degree in 1990 and wanted a management job in the fine-dining industry, she ended up peeling vegetables for legendary French chef Alain Ducasse at his Le Louis XV restaurant in Monaco. There, Ducasse, the world's only chef with two Michelin three-star restaurants, mentored her for three years. Then, Darroze returned to Paris to work at her father's restaurant.**

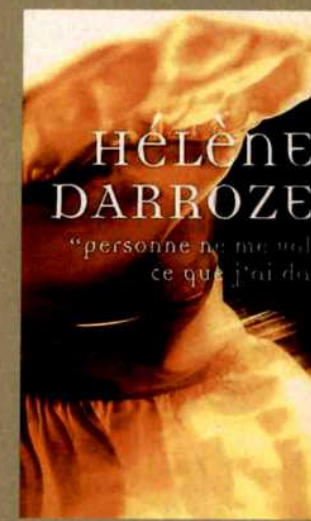
**However, soon, differences arose between her and her father, leading to her father's resignation. She then took over the restaurant in 1995 and named it after herself. In 2000, she got her first Michelin star. But with fame, came controversy and criticism too. Some of the biggest food critics of Paris have panned her, saying that she did not deserve the two Michelin stars.**

**She is the also the author of a cookbook — *"personne ne me volera ce que j'ai dansé"* (which literally means 'no one will ever steal my dances from me') published in 2005 — which has a liberal sprinkling of saucy details from her love life.**

**Darroze's restaurant at The Connaught is scheduled to open in June, following a £70-million refurbishment of the hotel, but it has already caused a lot of excitement in the city's gourmet circles. Apart from opening her restaurant, she will also revive the famed *Connaught Grill*.**

**While that is something to look forward to in London, there are other outstanding French cuisine restaurants in the city. There is *Clos Maggiore* at Covent Garden, *Morgan M* at Islington, *Galvin* at Marleybone, *Petrus* at Mayfair and *L'Atelier de Joel Robuchon* at Soho. C'est votre choix.**

***Jayant Singh***



BLOOMBERG

MUSIC

# Disc-o-nomics

**CDs and DVDs must get cheaper to compete with downloads**

THE ENTERTAINMENT WORLD IS IN A BIT OF A tizzy. Leading global retail chains are asking record labels and movie studios to reduce the price of CDs and DVDs. Else they will cut down on their in-store stocks.

Last month, British supermarket giant Tesco told music labels to cut CD prices by as much as $6. In the UK, the average music CD currently retails for $17. Tesco has a 13 per cent market share in music sales in the UK, where retail chains account for 40 per cent of the total music sales.

Here is the crux of the retail chains' grievance: they spend a lot of money on point-of-purchase promotion, valuable shelf-space and manpower in each of their hundreds of stores to sell CDs and DVDs, whereas a website can sell or rent music or movies to customers worldwide using relatively inexpensive server space and just a small site operating team.

Music companies typically charge more than $15 for the best-selling titles whereas the same can be downloaded for less than $10. Downloadable movies can be rented for less than $4 while DVDs are priced at more than $25. While music companies are beginning to wilt, the movie DVD business is protected by the relatively poor quality of picture and sound of the downloaded movies, which have to be compressed for faster downloads. A typical DVD holds 4.7 GB of data, while a downloaded movie usually comes in at under 1 GB. Downloads are also without the DVD extras such as cast interviews and games.

Once internet speeds increase and compression technology gets more sophisticated, downloadable movie services could outsell traditional retail stores.

In the meantime, Indian disc makers, such as Moser Baer, have already come out with ultra-cheap discs. A German scientist, Thomas E. Müller, says discs could be even cheaper. A process he discovered uses $CO_2$ captured from factory chimneys to make the polycarbonates from which CDs and DVDs are made. For the moment, that is as cheap as it gets.

*Pierre Mario Fitter*

**BARGAIN HUNTING: Music CDs typically cost 30 per cent more than the downloads**

STRAIGHT ROOT MARKETING

# The Alternate Demand Generation Engine

Straight Root Marketing is one of the truly transparent, specialised below-the-line marketing services agencies in India which caters to the emerging markets in Asia helping conceptualise and execute effective business events and marketing initiatives for their clients so that they can effectively access their markets and successfully engage their channel and customers. Straight Root Marketing is a result of the coming together of two of the largest activation networks in Asia. The company currently provides support to more than 20 leading brands and organisations across FMCG, consumer durable, services and information technology verticals across Asia.

The team at Straight Root Marketing comprises of over 160 experienced industry professionals, coming together from several disciplines like marketing, strategic planning, advertising, digital, retail, brand activation, hospitality, technical and operations. Their combined experience backed with the use of latest information and production technologies helps Straight Root Marketing deliver high impact, effective, insightful and result-oriented business events and below-the-line marketing initiatives across Asia.

TRAIGHT ROOT MARKETING
An Alternate Demand Generation Company

## CEO's Message

"We have always believed people to be our long term assets and customer focus as its goal. We constantly strive to provide intelligent services to the best of our ability and customer satisfaction."

**Sanjay Verma,**
**CEO, Straight Root Marketing**

### ORGANISATIONAL CORE COMPETENCE

Straight Root Marketing always endeavors to understand the brand's marketing challenges, its environs, its customer behavior and channel response, and helps address these by using effective below-the-line marketing techniques both in offline and online formats. Its ability to generate customer or channel insights and then address them in the most creative and effective manner gives it the required edge. The focus always remains on ensuring a high return on every marketing dollar spent. Its competence of planning and execution of business events and programmes is further enhanced by a comprehensive set of resources, technology and infrastructure which ensure that its clients get the desired results.

## STRAIGHT ROOT MARKETING ADVICE TO ITS CLIENTS

### MARKETING ONLY IN OFF TIMES

To grow ones business, you need an ongoing, targeted marketing program you can manage year-road along with the day-to-day demands of ones new business. One mistake entrepreneurs often make is to put marketing on the back burner and focus exclusively on the few/big customers they have. Marketing only during the slow times is pretty risky.

### JUST THE OLD FORMULAS

It's only natural to rely on the marketing tactics you're most comfortable with. If you like meeting and talking to new people, you may focus on networking. If you're shy, on the other hand, you might rely solely on direct mail. Such single-mindedness is a major marketing mistake because it prevents you from exposing a full range of prospects to ones message.

### IGNORING R/D-SURVEYS

Everybody thinks that millions of people would go after ones product or service. What makes them so sure? Before committing lots of cash to launching ones new business, do some market research. You can test the market using surveys or R/D. Testing can keep you from making costly mistakes based on false assumptions about ones product, service or customers.

### SPEND-LESS ON MARKETING STRATEGIES

It's just as important to set aside marketing funds as it is to budget for tools you're going to need to run ones business.

### WHEN YOU CANNOT FOCUS

Often, marketers fail because they try to tackle too many types of prospects on a limited, budget. Going after everyone who will listen is a shortcut to failure. On the other hand, when one clearly focuses's ones marketing efforts on a qualified target audience, they will get amazing out put/results.

### IGNORING CURRENT CUSTOMERS

As ones business grows, you may become so focused on getting new customers that you overlook current customers. That is a major mistake, since it generally more expensive to win a new customer than to 'resell' to an existing one.

### NOT TAKING ADVANTAGE OF TECHNOLOGY

Software, Direct Marketing, Below the line Marketing and Thru the line Marketing with, e-mail marketing are just the right options that can streamline ones marketing efforts and improve ones productivity. Without a good contact/BTL/TTL management programmer, only business contacts may be tools that can help ones business grow.

### COULD NOT PRESENT AS A PROFESSIONAL

Marketing materials sell ones company image to the world. To be successful, you need a cohesive family of tools that stand up to those of even ones largest competitors. If you have, poorly produced marketing materials to prospects, don't expect to be plum returns. Also one should always keep this in mind how ones company 'sound' when prospects call.

# Of Transplanted People

by jerry pinto

**UNACCUSTOMED EARTH**
**BY JHUMPA LAHIRI, RANDOM HOUSE INDIA, PAGES 333; PRICE RS 450**

AT THE RISK OF SOUNDING POLEMICAL, THERE ARE really three Bengali stories. The first one concerns a small village and a river that runs endlessly through it. The second concerns a beautiful young woman, the husband who neglects her and the young man who explodes into her libido. The third concerns a photographer and a slightly repressed woman and Aparna Sen will make it into a film.

Jhumpa Lahiri, who has displaced Bappi-da as India's most famous Lahiri, is Bengali enough to offer us two of these three themes in her new collection of short stories, *Unaccustomed Earth*. (The title comes from Nathaniel Hawthorne's comment that neither human beings nor potatoes will flourish unless they are sometimes planted in "unaccustomed earth".) Having been born and brought up in various industrialised countries, she wisely eschews the zamindars and the roktokorobi tree in full bloom.

The book is divided into two sets of stories. The first part has five stories, all of which deal, one might say, with the problems of the cross-cultural romance. 'Hell-Heaven' is the Charulata story. Most Charulata stories end with the wife going back to her husband, the young man vanishing in a cloud of cigarette smoke and the world returning to its status quo. Lahiri refines this one by telling it from the point of view of a child, Usha. Usha is the perfect narrator, so perfect that she never lets herself spill into the story, never takes any active part in it. She watches her mother fall in love with Pranab, a young man whom they meet in the middle of Boston, but she feels no jealousy. When Pranab falls in love with Deborah, a white woman, Usha follows suit, falling in love 'as young women often do with women who are not their mothers'. Again her love is pure, without any attendant complexities or rages. It all works out in the end but you're left feeling a bit cheated.

The best part of this collection is the set of three intertwined stories that form the novella at the end of it. 'Hema and Kaushik' offers an innovative solution to the problem many authors may have to confront, halfway through the writing of a book.

When s/he has chosen a position, say the first person singular, there are always moments when s/he regrets it. If s/he is working through the heroine's subjectivity, how can s/he know what is happening in other rooms, what other voices are saying? Splitting the story into three parts allows the author to shift between Hema the child, Kaushik the adult photographer, and Hema the academic. Kaushik's family leaves America when he is young to return to India. They go to live in Mumbai, where they have a Parsi cook, Zareen. (This is odd. A Parsi cooking professionally? Do such things happen?) When Kaushik's mother develops cancer, the family returns to America and stays with Hema's family for a while. When they find a new home, they move. Kaushik's family ceases entertaining as his mother's condition worsens.

And despite having the latitude to move between Kaushik and Hema, Lahiri offers us this piece of nonsense: 'For a time my mother and father continued to complain, feeling snubbed. "After all we did for them." They said before drifting off to sleep. But I was back in my own room by then, on the other side of the wall, in the bed where you had slept, no longer hearing them.'

This kind of carelessness mars what might have been a readable book of short stories.

In "A Choice of Accommodations", a story about a college reunion, we are told of Amit who has crashed out of medical college and settled for being the editor of a medical journal and his wife, Megan, who is a doctor.

'It was Amit, who had studied enough about the body to know its inherent fragility, who had

**JHUMPA LAHIRI** is the author of two acclaimed books - *The Interpreter of Maladies*, her debut collection of short stories and a novel *The Namesake*. She has received several awards including the Pulitzer Prize for fiction and the O. Henry Award for short stories. She holds a Ph.D in Renaissance Studies and currently lives in Brooklyn, New York.

**BROWSING**
Sandeep Dhar
Managing Director, Sapient, India

**I am currently reading The Book of Five Rings by MIYAMOTO MUSASHI, Japan's greatest Samurai warrior. The book gives insights into leadership and strategy. I am interested in exploring Chinese and Japanese philosophies and enjoy tracing the origin of various thoughts, concepts and practices. At the moment, the other books on my reading list are The Unfettered Mind by TAKUAN SOHO and Zen Training: Methods and Philosophy by KATSUKI SEKADA.**

dissected enough cadavers to know what a horizontal chest incision would reveal, who was plagued by his daughters' vulnerability, both to illness and to accidents of all kinds.'

It's as if Megan was a lawyer in some earlier draft and so would not know all the possibilities. But Megan is a doctor and if Amit has studied the body, so has she. Their difference in levels of concern must come from some other source.

Jerry Pinto lives and writes in Mumbai

**SELECTION 1**

# Blueprint Of Luxury Brands

**LUXURY BRAND MANAGEMENT A WORLD OF PRIVILEGE BY MICHEL CHEVALIER AND GÉRALD MAZZALOVO WILEY, PAGES: 409 PRICE: £21.99**

GIVEN INDIA'S CURRENT ROMANCE WITH INTERNATIONAL luxury brands and its pursuit to create an indigenous global luxury brand, LUXURY BRAND MANAGEMENT comes just at the right time. Written by the duo who gave us *Pro Logo* (in retaliation to Naomi Klein's hugely successful *No Logo*), the book's macroeconomic approach to the luxury business helps demystify the slightly secretive world of luxury.

Ideally, say the authors, a "luxury brand is a selective and exclusive one; that is almost the only brand in its product category, giving it the desirable attributes of being scarce, sophisticated and in good taste". But they eschew this stricter definition in favour of a broader one, wherein "a luxury good must satisfy three criteria: it must have a strong artistic content; it must be the result of craftsmanship; and it must be international." And out of all the three, for the authors, it is the artistic or the aesthetic dimension that most differentiates a luxury good from all others.

This definition includes not just Rolls Royce, but also Ferrari; not just Valentino but also Hugo Boss. Interestingly, the authors also add private banking to the usual categories of hotels, fashion, perfumes and automobiles to their analysis of luxury brands. But it is the chapter on the luxury client that contains the maximum insights. The consumers of luxury are divided not just on the basis of wealth but also their nationalities, which supposedly dictate ideologies, tastes and buying habits. A knowledge that is a 'must have' if a luxury brand has to have a presence in trendsetting cities, such as London, Milan, Paris, Shanghai, New York and Tokyo.

The book emphasises how different the process of creating, managing and sustaining a luxury brand is when compared to other goods and services in terms of staff requirements, financial parameters, market shares and sales strategy. A pretty exhaustive book, it does manage to layout a blueprint of sorts for those who plan to create luxury brands.

*—Sumati Nagrath*

**SELECTION 2**

# Ragged, Jarring Notes

HERE COMES ANOTHER ONE OF those novels about love, life, relationships, betrayal and struggle set against the backdrop of the traditional Indian middle-class society, a style most NRI authors seem to have mastered. Debutant author Ameen Merchant's THE SILENT RAGA (HarperCollins) is the story of Janaki, the prodigal daughter, who 'abandons' her widower father and her younger sister, Mallika, in the pursuit of her dreams — dreams that couldn't have been realised in the 'House of Discontents' that is her home. It is also the story of Mallika, who has resented Janaki ever since she deserted them, leaving her all alone to cope with their father's gradual derangement and the sharp tongues of the neighbourhood gossips. Then 10 years after leaving her home, Janaki writes to Mallika asking her to meet her. It is then that suppressed memories and repressed bitterness of the two sisters get reawakened.

What could have been a somewhat engaging plot is unfortunately ruined by passive writing and the author's knack for painfully detailing every single thing the characters do. He also seems to fancy extremely hackneyed similes and metaphors, which he uses liberally ("Then the asoka trees...begin to sway like giraffes in lengthy leaf skirts..." or "It was a quiet buzz, as though static waves were rippling through a barrier of dense fog"). To add to the reader's misery, the characters too are patchy and fail to evoke any sympathy. The book does have some bright spots, such as, when Mallika, while reading Janaki's letter, notices how her sister still can't write in straight lines, her feeling of superiority in that trivial sense comes through well. But such instances are just that — instances in a largely weak and uninspiring narrative.

*—Jayant Singh*

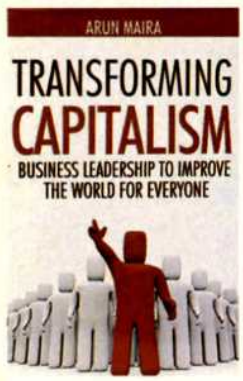
**ALERT**

**AN APPEAL TO REASON: A COOL LOOK AT GLOBAL WARMING**

**BY NIGEL LAWSON GERALD DUCKWORTH & CO LTD**

**Global warming and climate change have everyone interested. The battle lines between those who believe in it and those who don't, are sharply drawn. Nigel Lawson takes a look behind the alarmist headlines so that people can make informed decisions. According to him, the perspective of economists on the issue is almost as important as that of scientists — that's the only way we will be able to assess the likely evolution of the world economy and identify the most cost-effective way of tackling the issue.**

# Book Excerpt




# Rethinking Management

**TRANSFORMING CAPITALISM BUSINESS LEADERSHIP TO IMPROVE THE WORLD FOR EVERYONE BY ARUN MAIRA NIMBY BOOKS MENTOR SERIES, PAGES: 211; PRICE: RS 595**

IN 2006, WHEN THE DOW JONES WAS REACHING heights never reached before as was the Indian Sensex, a recent multi-country survey by an international management consultancy showed that trust in corporations was very low everywhere. Evidently, even though as consumers people may be satisfied with the products and services provided by corporations, and as investors delighted by their stocks' performance, as citizens they expect much more of corporations. What do they expect? What should corporations and their managers be doing differently? And, what can business schools do to help corporations? These were questions addressed at an important meeting in Cleveland, USA, in October 2006.

The subject of the meeting was 'Business as an Agent of World Benefit'. The meeting was convened by the Academy of Management and the UN Global Compact. The backdrop of the meeting was the condition of people and the environment, neither of which seems to be improving as rapidly as required to achieve the Millennium Development Goals. Meanwhile, businesses report sterling financial performance. Therefore, a lurking suspicion is that not only are philanthropy and corporate social responsibility (CSR), which corporations do on the side, inadequate, but that the core operations of businesses may be, somehow, contributing to the unsatisfactory condition of people and the environment. Against this backdrop, it was encouraging to sense the genuine desire of business leaders in the meeting to rethink the role of businesses, as well as to hear some inspiring accounts of what many are already doing. Here are some highlights of the meeting:

## The 'Well-Being Agenda'

Higher stock prices, more wealth and more GDP do not seem to be creating feelings of well-being, according to the Gallup World Poll, an extensive and ongoing global research project. Surprisingly, the survey reveals tha Singapore, which is the richest country i Southeast Asia and one of the most efficien and least corrupt societies in the world, score the lowest in the well-being index! People i Singapore are less satisfied with their lives tha people in other, much poorer and less efficien countries. Evidently, according to the survey, t be respected as a capable and free human bein and to have the freedom to make persona choices, parameters on which Singaporean give their society a low score, contribute muc more to people's feelings of well-being tha economists seem to realize.

This insight has important implications fo the design of economic enterprises. It als explains why, while people as consumers lov the mighty and efficient Wal-Mart for givin them low prices, as employees and citizens they resent its dominance of their lives an communities. It also explains the remarkabl contribution to people's dignity and feelings o well-being, far in excess of their economi gains, which are obtained from non-industria forms of business organisation such as self help groups, and from models of retailing suc as rural women entrepreneurs. For example, i Hindustan Unilever's Shakti project, women i villages are equipped to market the company' products in their neighbourhoods, door-to door, providing the company reach to new cus tomers and enabling these women to ear income. These looser forms of organisatio may not provide the economic efficiency tha often comes with scale through singular own ership of the enterprise as in Wal-Mart (or b top-down control of people as in Singapore but they give individuals more freedom.

The focus of the meeting was what busines corporations can do to improve societal well being and it was heartening to learn about th good work of some companies.

...I will make two more observations of pat terns that emerged from the multitude of pre sentations and discussions before I turn to th main agenda of the meeting: the role of busi ness schools. It was noteworthy that eve though no CEOs from India were present, th work being done by companies in India, bot

**ARUN MAIRA'S** work is focused on assisting people to work effectively together to produce the results they want — in business, government, and civil society organisations — in many countries. Maira served with the Tata Administrative Service in India and abroad for 25 years, and thereafter, for 20 years as a consultant with international management consultancies in USA and India. He has previously authored four books, including *Discordant Democrats: Five Steps to Consensus.*

**WOMAN POWER:** HUL's Shakti Project created new markets and generated employment

Indian companies as well as multinational companies, was cited most often to illustrate the type of good work companies can do to enable societal well-being. The Director of the UN Global Compact also reported that the most innovative work by businesses working for the larger social benefit is being done by its members from the developing world.

...The other observation was that in a large number of the examples of good work mentioned in the meeting, women at the grassroots level were the principal actors who created well-being for themselves, their families, their communities, and their environment.

## Management Research

A round-table discussion with CEOs at the meeting focused on what business schools could do to help corporations deliver against their agenda of broader social responsibility. The contribution that the schools could make was divided into two parts: contribution through research about topics that business leaders considered important, and the development of students with the capabilities corporations would need.

The research agenda suggested had three components. One was to establish the 'business case' by proving that corporations that deliver against the broader needs of society also produce better returns for their shareholders in the long run. Evidently, even though the CEOs present were personally motivated, they needed such evidence to justify their strategies to analysts and investors who take a more utilitarian view of corporate investments. The business case could cover the angle of future risks to corporations if they did not perform against society's broader expectations, as well as the improvement of the bottom line by reduced costs, and higher prices that could be obtained by building a more trusted corporate brand.

The second component of the research agenda was to develop the 'moral case' for doing good. Some CEOs felt that everything in business cannot and need not be justified in utilitarian terms. In fact, they felt that the view that unless something has a financial value it is not valuable has smothered concern for basic human needs. The morality discussion led to an intense debate about the schools' responsibilities for developing business graduates with good values, to which I will return later.

Whereas the first two components of the research agenda were about why good should be done, the third component was about how to do it effectively in ways that benefit both investors and society. How should business strategies be developed? What organizational capabilities are required? What are the meas-

# Book Excerpt

SANJIT KUNDU

**STARTING EARLY:** Business schools need to inculcate social responsibility

ures to guide the management of the business? Where are examples of best practices?

## Developing Good Managers

The discussion that began with the CEOs about the development of MBAs was later expanded to include the views of the educators and students participating in the conference. In the view of the CEOs, graduates produced by the management schools had too narrow a view of the world. They were driven too much by the profit motive, in their own lives and in their view of business' role in society. The CEOs recommended that the management curriculum should be modified to include compulsory courses on the 'human condition' and the environment, and that the excessive emphasis on economics and finance should be reduced.

...The educators retorted that businesses are getting what they pay for and that students in the financial disciplines get the highest salaries. Therefore, in the spirit of putting one's money where one's mouth is, if businesses were to pay more to graduates in other disciplines, students would want to take those courses and the schools would offer them! However, the educators were in a bind. They admitted that the curriculum was too limited. They cited a study by Jeffrey Pfeiffer of Stanford that showed that, whereas students broaden their thinking in other educational programmes, the MBA curriculum was the only educational programme that produced graduates who were narrower in their thinking when they left than when they entered the programme.

...The views of the students themselves were revealing. A survey of 2,100 students in 87 business schools found that 87 per cent believed that corporations should work towards broader societal goals, but only 18 per cent believed corporations were doing so. Only 36 per cent felt business schools were preparing business managers to work for the betterment of society; 70 per cent wanted business schools to change their curriculum to develop socially and environmentally responsible individuals; and 79 per cent said they wanted socially responsible jobs.

## Changing The World

Businesses, students and schools are part of a system, with each responding to the other. All of them wonder how the system can be changed so that business can play a more effective role as an 'agent for world benefit'. Who shall change first to begin the change in the system?

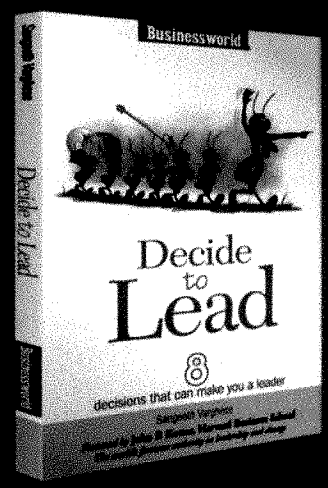
While discussing what would be required to make more corporations work for the greater good of society, the CEOs said that if their customers were to demand that companies act responsibly and if they were to buy only from those that do, businesses would change their behaviour very quickly. In other words, these CEOs are calling on customers to take the lead and pressurize business managers to change. They are saying that when people start acting like responsible citizens rather than as passive consumers, they can make the companies behave responsibly, too.

I now return to the stories of women changing the world around them. In Andhra Pradesh, 8 million women are members of self-help groups. The groups function autonomously. They determine what help they need from a level of organization above them. In turn, that level, in the village or mandal, determines what it needs from a level above itself to fulfil its own role. Thus, from the bottom up, empowered women are scaling up an organization that currently engages 8 million women, which is many times larger than Singapore's total population!

What does a story about women self-help groups in Andhra Pradesh improving their well-being have to do with hard-core models for business? Little, perhaps. But it has a lot to tell us about models of leadership, organization, and changing the world. Changing the world is hard, as the management students said. Changing the world requires leaders rather than merely managers. Leaders are those who take the first steps towards a goal they care deeply about, and in ways that others wish to follow.

Printed with the permission of NIMBY BOOKS, a Civil Society magazine initiative

# NINE DECISIONS CAN MAKE YOU A LEADER. THE FIRST ONE IS TO BUY THIS BOOK.




By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order of "Businessworld Decide to Lead", fill this form & mail it to us:**

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ 5 copies for Rs. 1795/- (10% bulk discount)

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.

# Slower Euthanasia

PEOPLE WILL WONDER WHY THE GOVERNMENT HAD to appoint another committee on financial reforms so soon after the Percy Mistry Committee submitted its report. Raghuram Rajan, chairman of the second committee, put the same question to the Vice Chairman of the Planning Commission, who told him that he was to take an overall view. Reading between the lines, it is fairly clear that there was a certain lack of satisfaction in the top echelons of the government with the Mistry Committee report, whether it be on account of its radicalism, onesidedness or outspokenness, and need for another view was felt. That view could have been sought from a stick-in-the-mud, safety-first, please-all semi-bureaucrat. Luckily, the stock of such has been exhausted, since they are all in the government. Rajan was given a free hand, and held consultations with a very broad swathe of practitioners.

**The Rajan Committee has proposed introduction of gradual and limited competition; still, government banks will have to change or die**

The Mistry Committee catalogued in gleeful detail the restrictive tendencies of Indian regulators, principally the Reserve Bank, and the consequent underdevelopment of financial markets. Rajan was more patient, and spent some time trying to understand why the Reserve Bank is such a curmudgeon. It is not just the central bank; it is manager of public debt, which is so huge and issued by such bankrupt governments that no sensible investors would buy it. So financial markets have to be rigged, and the Reserve Bank does its best to rig them.

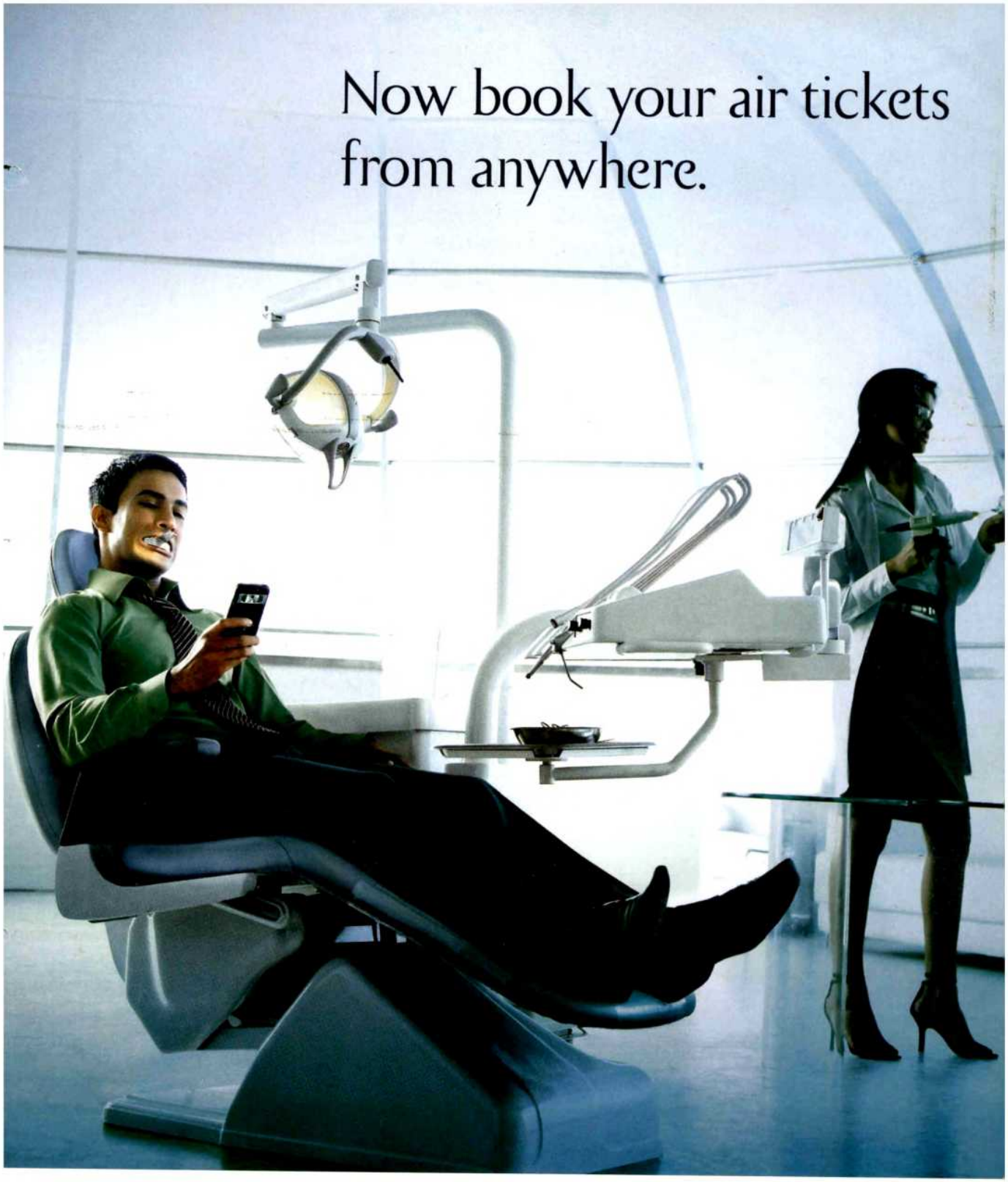
The market the Reserve Bank rigs most is the one for bank deposits. It has ensured the dominance of lumbering, slothful government banks, and doggedly prevented emergence of competition. These banks are depositories for worthless government debt, so they cannot be allowed to get into trouble. Faced with this necessity, the Rajan Committee has proposed allowing entry of banks that would have only local licences and would therefore remain small. Their proposed entry implies higher interest rates in small towns and villages; it would require the abandonment of the current informal fixing of closely similar interest rates by banks.

Thus, although it does not say so, the Rajan Committee is as convinced as the Mistry Committee that the dominance of government banks must end. But it has tried to find a more diplomatic and politically acceptable route to their demise, namely allowing thousands of small private banks to come up.

Those local, small-town and rural markets are not unserved; they are served just now by the government's bugbear, the moneylender. He is the one who would face competition from the new local banks. Can they succeed against him? His fixed costs are minimal, his local knowledge is considerable, and because he gets no help from the government in realising bad debts, his assessment of risk is highly refined. There is no way the new banks can compete with him – unless they become he. The new model banks can succeed only if the current moneylenders are allowed to set them up. The Rajan Committee does not say it, and one can not even be certain that it has thought it. But if bank licensing is removed and local banks are freely allowed to be set up, moneylenders will will set them up. The Committee is thus, in effect, recommending a reversal of policy toward moneylenders: it is proposing their graduation into properly run, lightly regulated banks.

If the government permits these moneylenders-turned-banks, they will rapidly capture business in small towns and villages. The government banks may not mind that because they do not care for that business anyway. But the new banks will make good profits, and will saturate the markets they are allowed into. They they will want to — they will need to — expand beyond their permitted areas. The Reserve Bank will not want to expose government banks to their competition, and will not give them broader licences. But money is fungible; indirectly, money from local banks will leak out of their areas and compete with money from the big banks in the lucrative big cities.

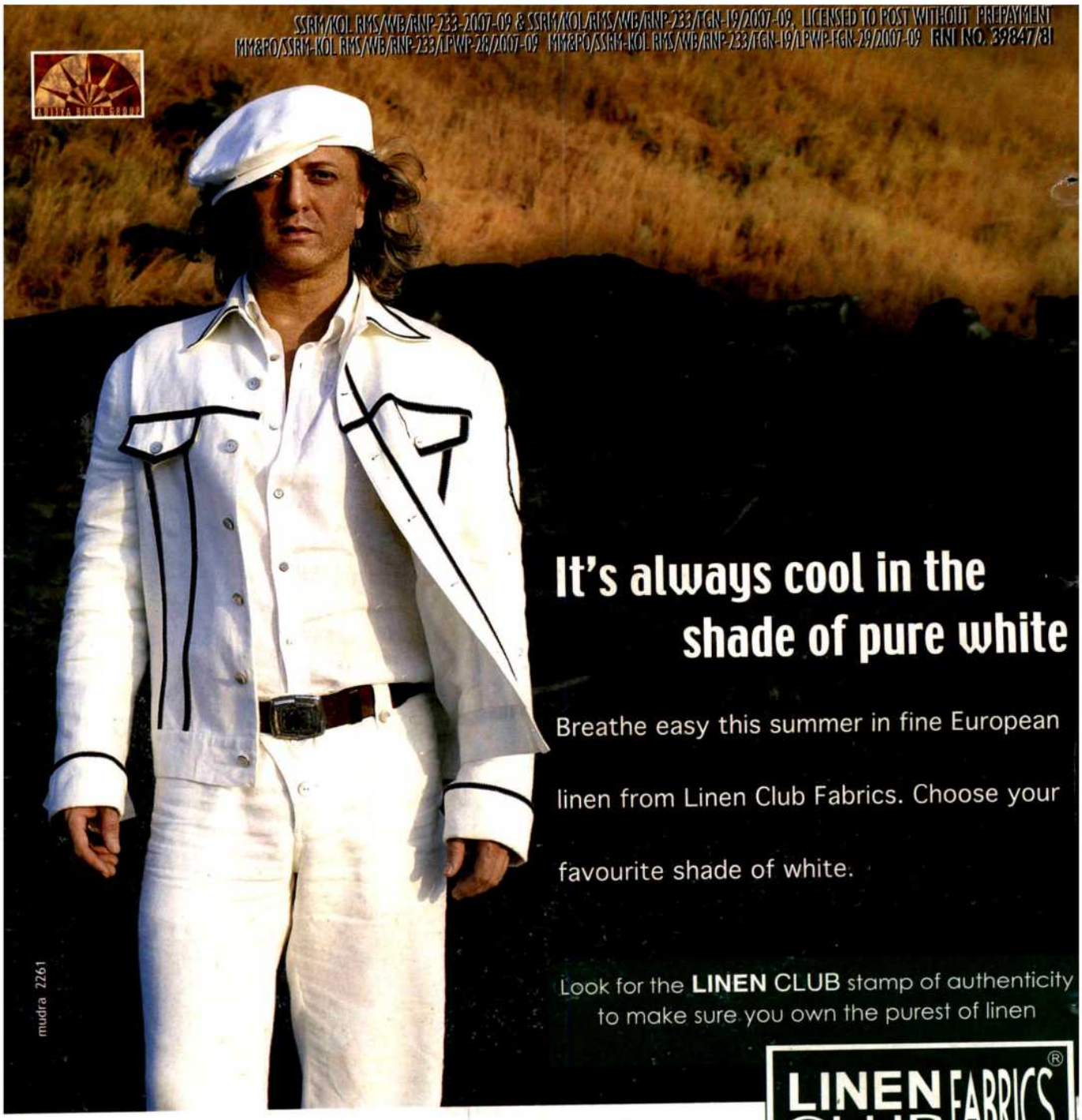
This is not to say that the experiment should not be tried. But it will only postpone, not prevent, the emergence of such private competition as government banks cannot face. Banks were nationalised by Indira Gandhi in a fit of absence of mind. That mindless decision has done incalculable harm, and has become unsustainable. Official committees, while trying to save government embarrassment, look for ways of avoiding this conclusion. But it cannot be avoided. Local banks will be only a palliative, not a solution. The government should work out the next step before it takes this one.




**Jet Airways introduces Mobile Ticketing.** Now book air tickets from your mobile phone no matter where you are. What's more, you can cancel as well as avail refunds through this secure service. To start booking, simply SMS JetWallet to 56388 from your GPRS enabled phone or log on to www.jetairways.com/mobileticketing/ and download the application now!

JET AIRWAYS

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/TGN-19/2007-09. LICENSED TO POST WITHOUT PREPAYMENT
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/TGN-19/LPWP-TGN-29/2007-09 RNI NO. 39847/81




**All-season fabric. Available at select outlets across India.**

Jaya Shree Textiles, Unit of Aditya Birla Nuvo Ltd. Tel: (033) 2600-1200 • E-Mail: jayafab@adityabirla.com

LINEN CLUB FABRICS®

GENUINE EUROPEAN LINEN

**Exclusive Retail Outlets:**

**New Delhi:** Linen Club – The Ramp, Ph: (011) 26167128, 2616 4529; Sahni Fabs, Ph: (011) 41618530, 26483881, 26463001, 26217514, 26217515, 09810036439; Manhar, Ph: (011) 23848100, 09811261826 **Kanpur:** Linen Club – The Ramp, Ph: 09415128992 **Kolkata:** The Club de Royal, Ph: (033) 22815700, 09830056533 **Bangalore:** Linen Club– The Ramp, Ph: (080) 22867767, 09880433678 **Hyderabad:** Club de Royal, Ph: (040) 64554828, 09391038923 **Secunderabad:** Sri Mohan Textiles, Ph: (040) 66314828, 09391038923 **Indore:** Kanchan Kiran, Ph: (0731) 2540421, 09425319397 **Lucknow:** Linen Club, Ph: (0522) 4005252, 09415115100 **Jaipur:** Sanjay Textiles, Ph: 09413333761 **Bhilwara:** Linen Club, C/o. Vinod Textiles, Ph: (01482) 324020, 09352115204 **Surat:** Aastha, Ph: (0261) 2254916, 09879539690 **Nepal:** Linen Club Fabrics & Boutique Nepal Pvt. Ltd., Kathmandu, Ph: (00977-1) 423082, 009779841308685 **Dubai:** Royal Fashion, Dubai, Ph: (00971-4) 3968282

SPECIAL ISSUE

Rs 10

# Businessworld

www.businessworld.in

5 MAY 2008

SUBSCRIBER COPY NOT FOR RESALE

## GLOBAL ECONOMY: FAST TRACK TO SLOWDOWN

AGE 60

+

## Power stocks: High valuations and high risks

AGE 62

## Corporate building blogs

AGE 56

1 No.
DIA'S
NESS MAGAZINE
OST READ
OST SOLD

# SOLVING THE PEOPLE PUZZLE

## How companies are re-imagining human resource management

# Will your *m*SME or Mid-Corporate be the one to Excel?

## National awards for *m*SMEs and Mid-Corporates who redefine excellence!

The CorpExcel Awards are back again. With another opportunity to showcase the power of your 'big thinking'. **Hurry! Send your entry and get the recognition you deserve!**

Entry forms available at all CorpBank branches.
Or log on to **www.corpbank.in** or our Knowledge Partner at **www.jkshim.ac.in**

Open to all - Not just CorpBank customers | **Toll Free No.: 1800 1024 554 or Call: 099807 80995 / 0824 - 4286376**

**1. SMEs** - Categories: Food & Agro-based • Textiles & Apparels • Machine Tools & Engineering • Chemicals & Petro Chemicals • IT&ITeS Sector • Auto Components • Drugs & Pharmaceuticals • Plastics & Packaging • Gems & Jewellery • Others **2. Micro Enterprises** [All Categories] **3. Mid-Corporates** [All Categories]

**Knowledge Partner**
NITTE
Justice K. S. Hegde Institute of Management

**Process Validator**
HARIBHAKTI GROUP
*Ensuring flawless process, always.*

**Marketing Partner**
endtoend

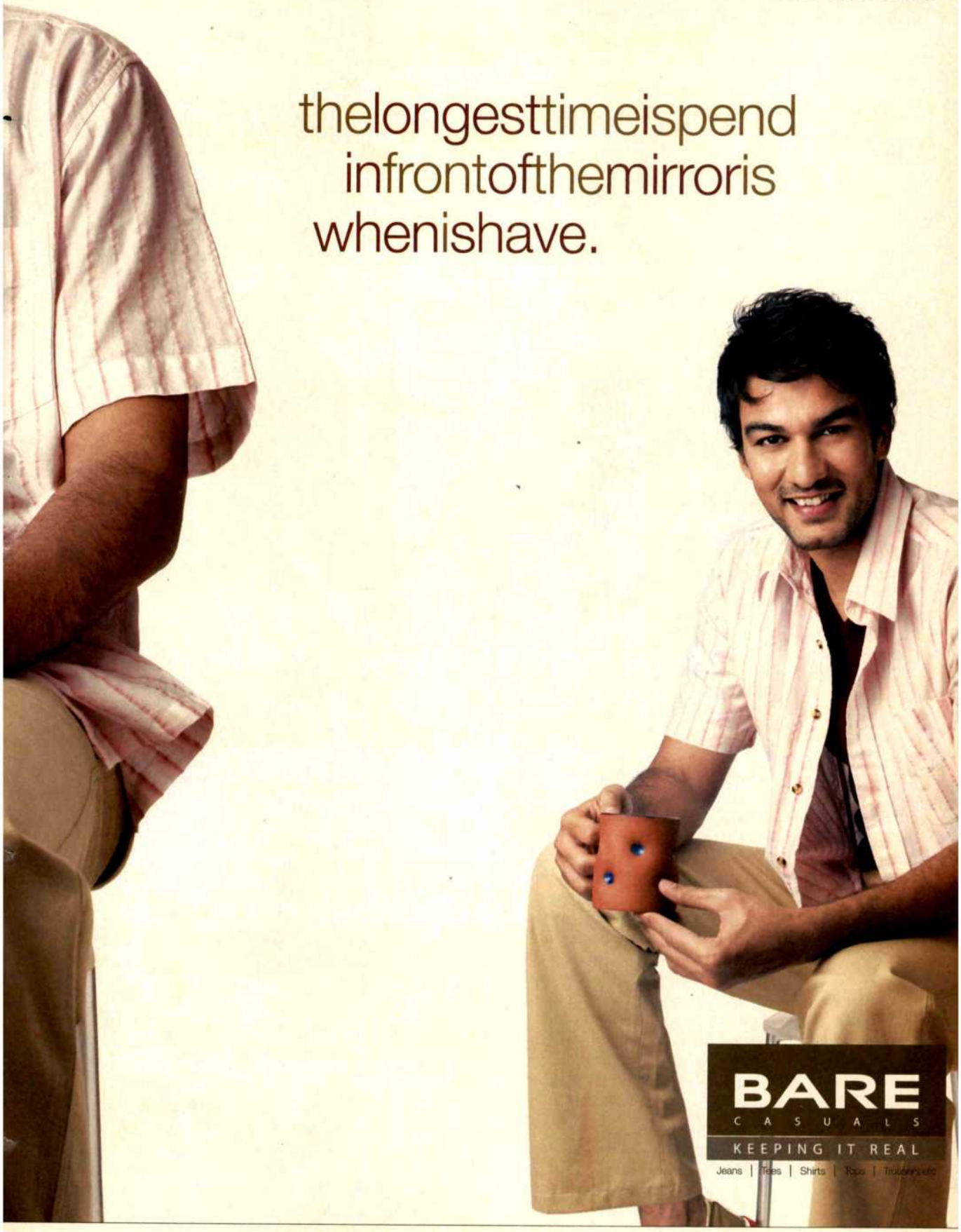
**Rush your entry today!**

कार्पोरेशन बैंक **Corporation Bank**

*A Premier Government of India Enterprise*

futurebrands

# thelongesttimeispend infrontofthemirroris whenishave.




© CENTRAL | pantaloons
FRESH FASHION

Trademark Bare is Owned and Licensed by M/s Future Brands Limited, India.

PUBLICIS DIALOG 030 08

## Editor's Letter

# Mission Over Money

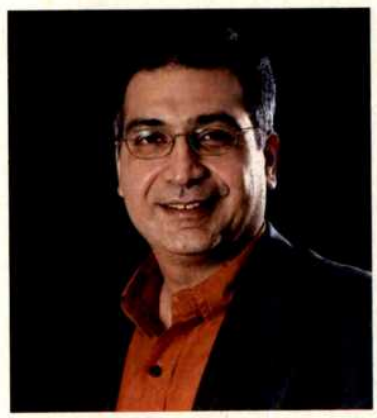
**by jehangir s. pocha, editor**

WHEN I WAS DOING AN MBA, I INITIally chose to specialise in human resources. But I was mocked as a wimp, sissy and knucklehead. So, being young and weak-willed, I switched to marketing.

A nation's desire to develop, and an individual's need to succeed, often focus them on acquiring 'hard skills'. That's why our government favours technical institutes over liberal arts universities and our graduates choose finance, marketing and engineering over HR, design and research.

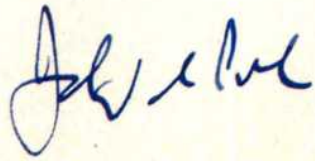
The foolishness of this is just being understood. Traditionally, micro-economics did not even recognise management (or technology) as a factor of production. But today CEOs realise land, labour, capital and entrepreneurship alone cannot drive modern enterprises. With the Licence Raj dying, capital widely accessible, and upstarts disrupting giants, it is the ability to attract and retain people, and weld them into effective teams, that creates successful enterprises.

Famed man-managers from Jack Welch to J.R.D. Tata always knew this. They saw a CEO's job as essentially five things: constant learning, decision making, operational oversight, public engagement and people management — with the last being the most crucial.



Unfortunately, even those who recognise this often approach HR as a science, with software packages, appraisal forms, titles, organisation charts and structured compensation packages. While these are important, the art of managing people is inspiring them, infusing them with purpose. And this must be real; it cannot be manufactured or manipulated.

It is mission, not money, that drives most successful countries, companies and managers. HR executives struggling with high employee turnover rates should consider what former Tata Motors boss Sumant Moolgoankar used to say: "If you want to build a ship, don't just beat the drum, divide the work and reward the men. Make them yearn for the far and endless sea."




**Businessworld**

**Volume 27 Issue 50.**
**For the week 29 April-5 May 2008,**
**Released on 28 April 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
**Bangalore**
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*

futurebrands

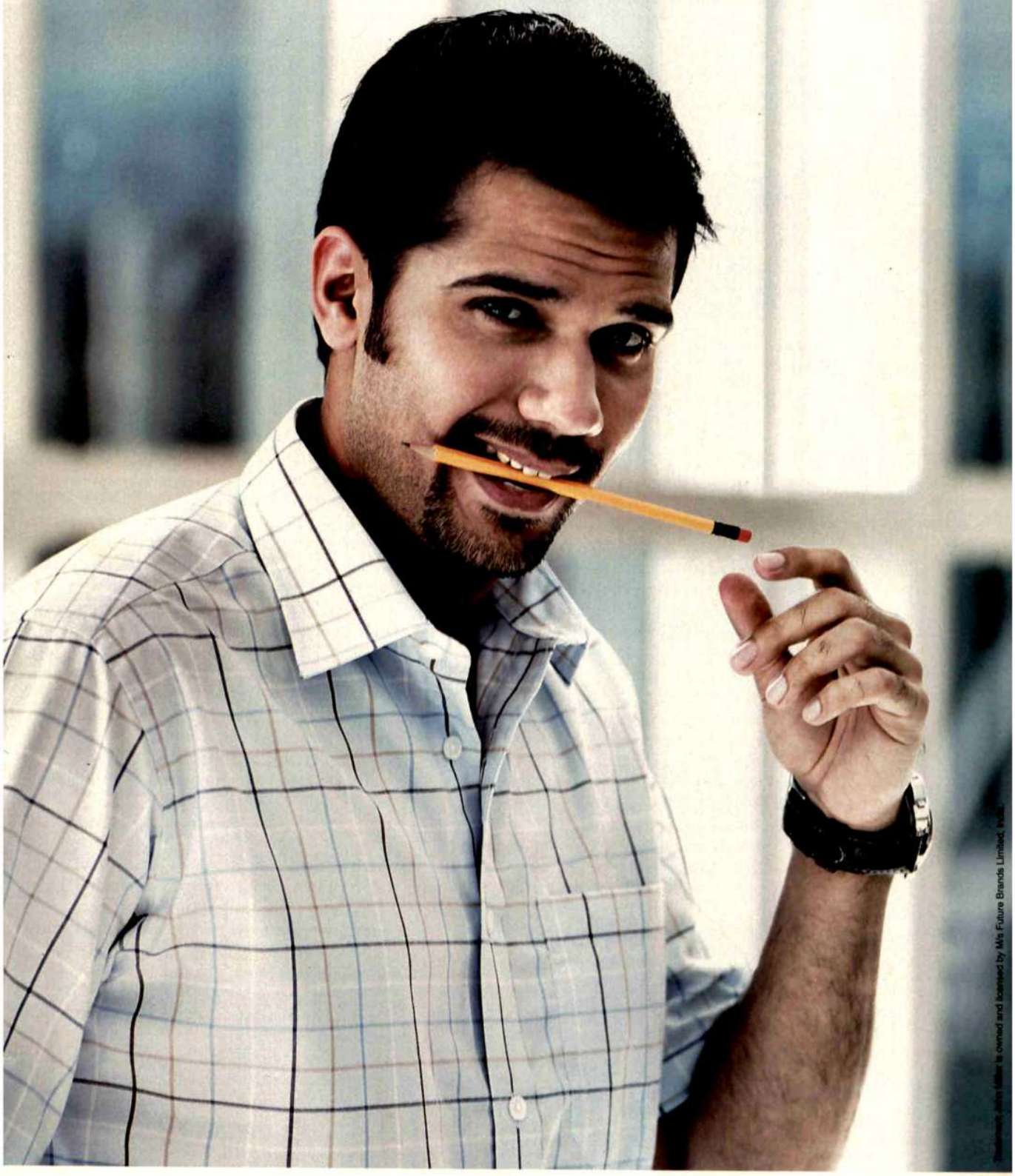
# GOOD LOOKING RASCAL

Summer might make you break into a sweat, but not this guy. He keeps his cool with the latest summer collection and never gets hot under the collar. John Miller salutes the good looking rascal.

JOHN MILLER
*Executive Attire*

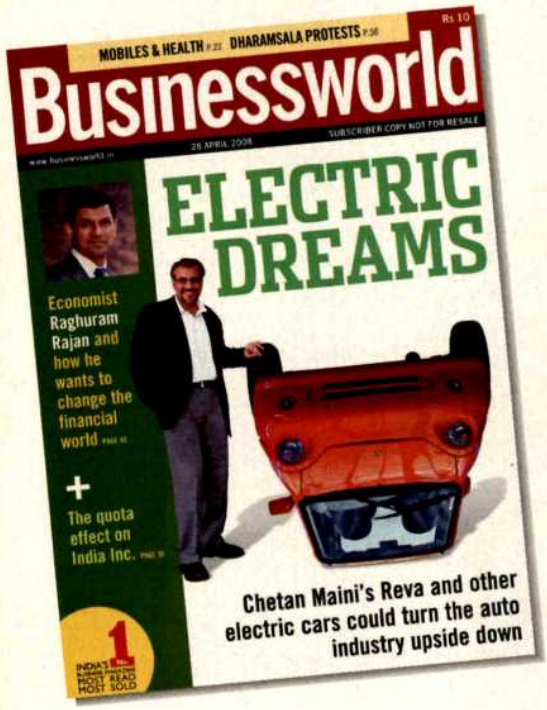
Make it look easy

Shirts | Trousers | Suits | Jackets | Ties



Available at: | pantaloons FRESH FASHION | CENTRAL SHOP. EAT. CELEBRATE ! |

# Feedback your comments




## Reva Has Much To Rave About

This is with reference to 'Reva Takes Charge' (*BW*, 28 April). I think there can't be any better time for the Reva to take centre stage than this. In this age of unduly high fuel prices, the simple-looking, yet very fuel-efficient and environment-friendly, Reva can effectively address issues like global-warming and high carbon emission. Meeting Euro specifications is a major task for any car manufacturer but that is not a problem for the Reva. In fact, it has already gained greater acceptance in the United Kingdom than in India, which speaks highly of its quality. But, for greater success, the manufacturers will have to rid the car of some vital deficiencies, such as low speed, difficulty in repair because of it being battery run and a relatively unattractive design.

**Udit Bhanu Pradhan,** via e-mail

**WRITE IN AT**
bweditor@abp.in
or post us on
www.businessworld.in

## Let's Get To The Crux

The interaction with high-profile economist Raghuram Rajan, 'There are so many ways controls leak' (*BW*, 28 April) was exhilarating. The present, turbulent phase in the Indian financial sector, its weaknesses, strengths and requirements for a robust system were very well articulated. The Indian economy is no more insulated from the rest of the world and nor are today's banks, which are exposed to various internal and external risks compelling them to consciously realign their operational strategies in tune with the prevailing market forces. For a resilient financial system, we would surely need to have more Asset Reconstruction Companies, especially those promoted by foreign investors. They can pump in more funds as a cushion to fall back on in the worst case scenario of severe financial distress.

**Srinivasan Umashankar,** via e-mail

## The Gap Is There For All To See

Sharad Heda's analysis of generational changes in work and management ('Culturally Shocked', *BW*, 28 April) was interesting. I belong to the old generation and spent 32 years with the same employer. I too find that the managerial class of today lives in a different world, where merit, efficiency and professionalism generally fetch their due rewards. The employer-employee relationship is founded on mutual dependence and an equitable pay-performance linkage. Back when we worked, employees used to stick longer with an employer not because of idealism or altruism but a simple lack of opportunities. But, of course, those were less stressful times in general.

**M. Hanumantha Rao,** via e-mail

## Thanks For Making It Obvious

I am an LLM candidate at the Franklin Pierce Law Center, Concord, US, specialising in intellectual property laws. I congratulate you on a very successful attempt to highlight the problems concerning the Indian version of the Bayh-Dole Act ('Patently Not Obvious', *BW*, 14 April). I am enthused by the fact that attempts are being made to look into university IP management and technology transfer issues and understand the various nuances and complex issues around this proposed bill.

**Shashwat Purohit,** via e-mail

*Letters may have been edited for brevity.*

# How to create a great success story

CSC's story is about people - people who've taken us from two men with $100 in 1959, to a $16.1 Billion giant; who've created software that enables the world's largest telescope to explore the deepest parts of the galaxy; who've helped protect the seas by teaching bacteria to clean up oil spills; who've transformed the way business is conducted on the floor of the world's busiest stock exchange. And people who've taken man to the moon and back.

CSC is a company whose 92,000 IT professionals worldwide build on their dreams everyday to deliver real-time results that drive fortune businesses across the globe.

CSC's story is an ongoing legacy of accomplishments that even today continues to redefine the Business IT space. A legacy of providing a progressive and friendly culture that breeds innovation while ensuring the people keep good company that inspires excellence.

Today, as the second largest location for CSC globally, recording a 75% compounded annual growth rate and being ranked as the top 5 IT Brands & Great Places to Work, CSC India bears testimony to this.

Visit **http://in.country.csc.com** today and pick an option to create your very own success story with us.

## Why CSC?

- Leaders in Human Capital Development in 2008 Global Services 100 list
- Among the best companies in India to work for (rank 12th) in the 2007 Business Today-Mercer Survey, for the third time in a row
- Among Top 20 as per Dataquest-IDC Best Employers Survey 2007 where CSC has been quoted as "having mastered the art of managing Indian employees"
- Among Top 25 as per Best Employers in India 2007 Survey by Hewitt Associates-The Economic Times
- LOMA's Excellence in Education 2007 award for the fifth time to acknowledge CSC India's commitment to enhance knowledge in Life and Pensions insurance domain
- Best Women Friendly Company award by Madras Management Association (MMA)
- Award for creating Fun and Joy at Workplace by Deccan Herald Avenues

### CSC Diversity

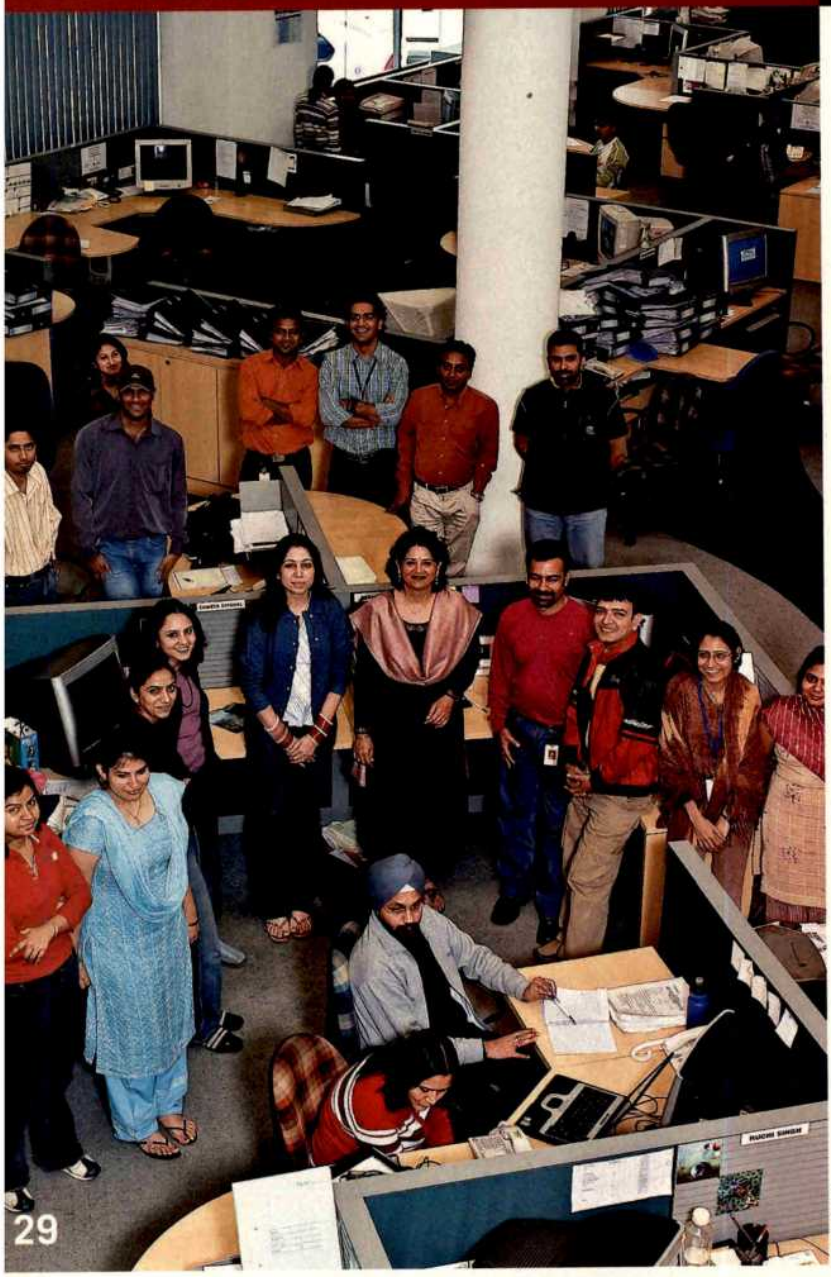
91,000 people in 93 countries across 6 continents
Acquired over 65 companies in the past 20 years
Works in 34 languages and over 15 verticals
Worked with over 200 Fortune 500 clients
Fortune 200; $16.1 billion

### CSC India: The Edge

2nd largest location for CSC globally
Over 16,000 people
Growing at 75% each year for the past 4 years – twice IT industry growth
Presence in 7 cities in India
Rated as a preferred employer

.COM CONSULTING SYSTEMS INTEGRATION OUTSOURCING

CSC
EXPERIENCE. RESULTS.




AMIT VERMA

## COVER PACKAGE

# 29 Human Interest

Time for human resources management to reinvent.


**30 Foreword**
HR in corporate India has to shake off its image of a mere support function.

**32 Employee Engagement Survey**
What motivates workers in India, and what motivates them in other countries.

**36 Survival Kit For SMEs**
Small and medium firms can survive by innovating HR practices.

**38 Column: R. Gopalakrishnan**
Managers in this Blackberry age need guidance to re-connect with people.

**40 When in Rome...**
Cultural and other challenges for Indian companies who buy foreign firms.

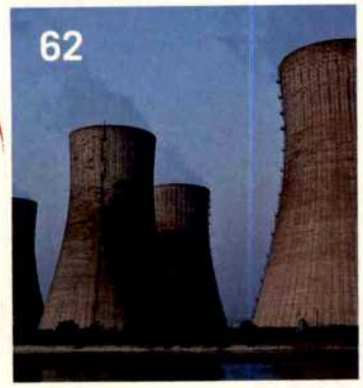
**44 Column: Subroto Bagchi**
A true professional must deliver products and services complete in all respects.

**46 Experiential Training**
Physically challenging games have become part of training programmes.

**50 Knowledge Management**
Companies tap, consolidate and preserve the knowledge that employees bring.

**52 Office@Home**
Flexi-hours policy reduces attrition and attracts quality workers.

**54 Gender Issues**
You find a lot of women managers at junior levels, but very few in senior posts.



## ON POINT

**10 Change For Growth**
New telecom M&A norms spells new dynamics for the service providers.

**11 Some News**
PE funds are increasingly investing in media and entertainment companies.

**13 In The Pipeline**
The Iran-Pakistan-India gas pipeline project is back in active consideration.

**16 FIANCHETTO**
Weekly strategic corporate moves.

**18 QUICK TAKE**
Should RBI further raise CRR?

## IN THE NEWS

**22 Retail Tale**
All the recent buzz cannot hide the fact that retail is facing a slowdown.

**24 Collateral Management**
Banks start to look afresh at management of large stocks of grains and pulses.

**25 Drug From The Underground**
French volcanic clay has anti-infective properties that can stop dreaded bacteria.

## IN DEPTH

**56 Have A Say**
Blogs connect to stakeholders without forcing the company's views on them.

**60 Global Economic Scenario**
If global growth falls below 3 per cent, we will be in a global recession.

**62 Valuations IV**
Power sectors scrips have never been the favourites of the markets in India.

## TECHTALK

**82 The Green Countries**
Four countries enter a race to become the world's first carbon-neutral state.

**86 Refuse Management**
A 'green-toilet' prototype and a bio-toilet for Indian Railway coaches.

## IN VOGUE

**89 When The Shoe Fits**
Wearing right shoes for your sport is important for healthy feet.

**94 Between Genres**
Recreating the magic of Fellini's cinematic genius in another art form — theatre.

**96 Bookmark**
Four crises and a peace process, untold secrets, and dealing with healing.

## COLUMNS

**20 Ashok V. Desai**
The econometrics of happiness.

**26 Nayan Chanda**
China's growth and anti-West protests.

**58 Rajeev Dubey**
Quotas in the private sector is not okay.

**64 Rajeev Chandrasekhar**
Cartels dent the spirit of competition.

## BW & YOU

**06 FEEDBACK**

**98 BW OPINION**



**Cover Design by Jyoti Thapa Mani**
**Photographs: Sanjay Sakaria**



**BWonline**
**businessworld.in**

WEB EXCLUSIVES

At Ease In The Corporate World
Business schools are increasingly offering courses tailor-made for armed forces officers seeking civilian jobs, says Chetna Mehra

TechnoCool
Dell's XPS M1530 notebook builds on its hugely successful ultraportable sibling M1330, says Tushar Kanwar


Total No. of pages including cover: 100

TELECOM

# Dynamic Change

**Revised M&A guidelines have brought out new concerns for telecos**

SANJIT KUNDU

**IT'S A DEAL:** But for the consumer, it means better offerings and after-sales services

THE DEPARTMENT OF Telecommunication's revised guidelines for mergers and acquisitions has reduced the scope for spectrum hoarding by telecom operators but impeded the expansion plans of some telecom majors. The guidelines are also another step in a series of rules that have benefitted new entrants in to the telecom market over older firms such as Bharti Airtel and Vodafone, which once dominated telecom policy.

The new guidelines bar intra- and inter-circle mergers for a period of three years, and limit the market share of any merged entity in a market to 40 per cent. This means players such as Bharti Airtel and Vodafone will have to wait three years to acquire other mobile operators, time in which new competitors such as Reliance Communications and Tata Teleservices will add to their own subscriber base.

The new norms will also make it impossible for new telecom license holders, such as Unitech and Datacom, to partner with existing telecom companies. The new players, who have no telecom competence of their own and only hold spectrum, will have to partner with international telecom companies who are not yet present in India. Smaller operators such as Aircel could do the same.

This should be good news for the consumer. "International players will do to the Indian market what Vodafone did; and they are also big buyers of technology, bringing in the critical differentiator in customer satisfaction," says Sri Rajan, partner at Bain & Company, an analyst firm.

*M. Rajendran*

**03** **lakh. The number of lives lost due to the Darfur conflict, according to the United Nations**

QUOTE OF THE WEEK **"The present strategy of excluding Hamas and excluding Syria is just not working."**

— FORMER US PRESIDENT JIMMY CARTER

PRIVATE EQUITY

# New Avenues

**PE funds are increasingly investing in media and entertainment companies**

SANJIT KUNDU

MOST PRIVATE EQUITY (PE) executives maintaint that they are sector-agnostic and are not keen on a particular industry. Lately, however, they seem keen on the media and entertainment sector, including related businesses such as outdoor advertising.

Blackstone's bid for Ushodaya is well known, as is its CEO Akhil Gupta's bullishness on the media sector. INX Media, headed by industry veteran Peter Mukerjea, is largely a PE backed venture, where funds Temasek, New Silk Route and New Vernon, have put in Rs 1,100 crore in 2007.

Then, in January this year, NBC Universal picked up 26 per cent stake in NDTV Networks for Rs 600 crore. This deal is perceived as one with a strategic intent, where a foreign firm paid an entry fee for the Indian market.

More recently, the buzz has been that Laqshya Media, one of the largest outdoor advertising firms in India, is looking to sell a 15-20 per cent stake for Rs 300 crore and Warburg Pincus is in the lead for it.

However, some funds are sceptical about this sudden interest in media, especially TV channels. "The electronic media is a very competitive industry and profits remain a challenge," says Rajeev Gupta, managing director and head of buy-out group at Carlyle. That may be so, but other categories such as outdoor advertising seem to be on a roll.

*BW Bureau*

**HIGH VISIBILITY:** After electronic media, PE firms have set their eyes on outdoor advertising companies

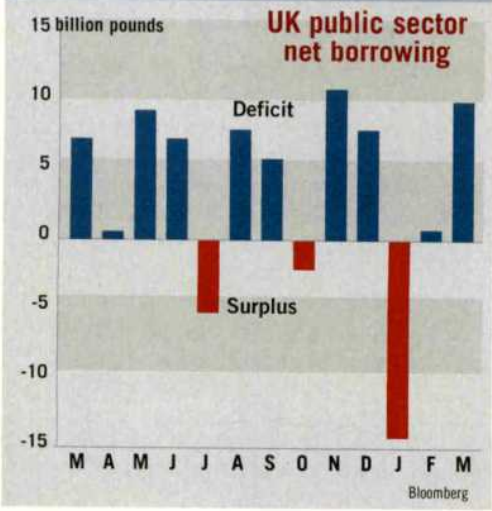
## Global NEWS

AP

**Left Paraguay**
For the first time in six decades, Paraguay has a president from an opposition party. In the elections held on 20 April, the Latin American country's voters elected former Roman Catholic bishop Fernando Lugo as President. Even though Lugo does not consider himself a leftist, he represents a major challenge to Paraguay's unequal social structure.

## UK DEFICIT WIDENS

Britain had a £10.2 billion budget shortfall in March, a third more than economists forecast




SOCIAL NETWORKING

# FINDING SPACE IN INDIA

BE FIRST. THAT'S THE GENERAL thumb rule for social networking sites, because once the first mover gets a foothold in a market, it is difficult for others to catch up. However, for US-based social networking site MySpace, owned by News Corp., the strategy seems to be to keep on rapidly expanding to new markets.

Last week, the US-based firm launched local sites in India — where Orkut and Facebook are already popular. "We want to provide space for self expression that will resonate with the Indian culture," says Amit Kapur, COO, MySpace India.

However, MySpace — which has 110 million registered users — will have to work hard to get eyeballs in India, which has 32 million active internet users. "Our aim is to be part of the brand building strategy and not just the media plan," says Deep Malhotra, head of sales at MySpace India. The firm's revenue model is click- and impression-based. How soon it will succeed in India remains to be seen.

*Meghana Biwalkar*

## FLEEING TO SAFETY

A Zimbabwean woman with her child on her back flees across the Zimbabwe-South Africa border at Beitbridge Border Post in Musina, South Africa. There are reports about Mugabe loyalists sweeping the countryside with wooden sticks and hunting down opposition supporters

AP

DEFENCE

# High Stakes

**SHOPPING TIME:** MoD will spend more than $1 billion for new helicopters

THE GREAT INDIAN helicopter deal is up in the air again, only much bigger this time. Having cancelled the $550-million order for 197 light multi-role AS 550 Fennec helicopters from Eurocopter for the Indian Army in December 2007, the Ministry of Defence (MoD) is now ready to put out another request for proposal. The new proposal for 384 such helicopters, worth likely more than $1 billion, will be a combined one for both the army and the air force. That makes great economic and operational sense.

With such large volumes, MoD can demand greater transfer of manufacturing and upgradation technology. It will also be easier and cheaper to service and maintain such a large posse of helicopters of a single make. Eurocopter, Bell Helicopter, Augusta-Westland, and Kamov are in the fray.

*Feroz Ahmed*

## US ELECTIONS

AP

# The Comeback Lady

HILLARY CLINTON'S VICTORY OVER BARACK Obama in Pennsylvania's primary on 22 April propels the campaign into the next elections in Indiana and North Carolina. However, it doesn't alter the basic dynamics of the contest. Clinton got 55 per cent of the vote to Obama's 45 per cent in the Democratic presidential primary. Clinton, however, still trails Obama in terms of the delegates who will choose the Democratic nominee.

## Reality Check

**Scientists have completed the first stage of an ambitious project to drill down into an earthquake generating region near Japan.**

OLYMPICS

## CHINA GETS GOING

CONCERNED AT THE rise in global popular support for the Tibetan cause, China is fomenting its own anti-western protests. With the help of its expatriates, China is organising counter rallies to clash with anti-China demonstrations. Over the past week, such pro-China rallies have been held in Salt Lake City and Canberra, and more are on the anvil as the torch travels to South Korea and Japan.

China is also shipping thousands of flags to be used in overseas demonstrations. The five-starred red flags have been sent to countries through which the Olympic torch will travel.

AP

Tibetan supporters have dogged the troubled torch relay from its beginning in Greece on 24 March. The torch relay was disrupted at London, Paris and San Francisco.

For China, this is a last-ditch effort to win back its image.

*T.K. Vineeth*

## TOP 10 LISTINGS

THE MOST INNOVATIVE COMPANIES

1. Apple
2. Google
3. Toyota Motor
4. Tata Group
5. Nintendo
6. Nokia
7. General Electric
8. Reliance Industries
9. Microsoft
10. Sony

Source: *Businessweek*

**Despite the threat perception, a Maoist Nepal is unlikely to worry India**

NEPAL

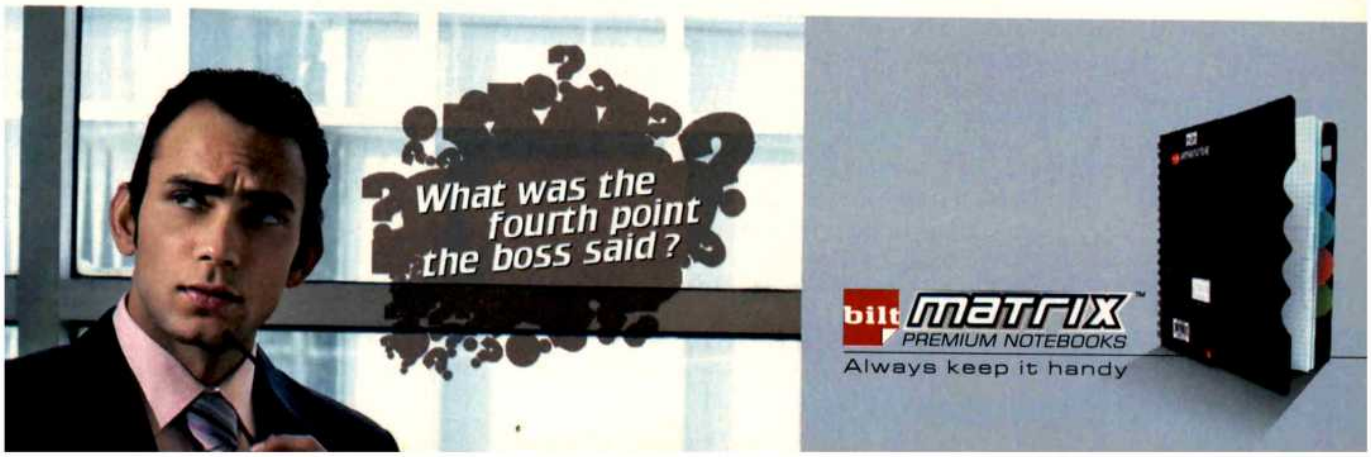
## Threat Factor

EVEN THOUGH INDIA has officially welcomed the new democratically-elected regime in Nepal, there is some concern over the Maoists' victory, given their support to the Naxalite movement in India. The open border, too, could pose a threat with an unfriendly party at the helm in Nepal.

However, the concerns could be exaggerated. "I don't think India will be overly worried," says G. Parthasarthy, former Indian high commissioner to Pakistan. "Adopting an anti-India stance may win you popularity in some quarters in Nepal, but political parties can't overlook ground realities. I think we'll now see the Maoist rhetoric change."

Maoist leader Prachanda has also been quoted as saying his party wants good relations with China and India. Notably, 47 per cent of Nepal's exports are to India, while 53 per cent of its imports come from the big neighbour. Prachanda's approach seems practical enough.

*Amanpreet Singh*



IRAN PIPELINE

# Chasing A Pipedream

**A fresh wave of discussions has put the IPI pipeline project back in focus**

REUTERS

THE LONG-FORGOTTEN Iran-Pakistan-India (IPI) and Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline projects are back in active consideration.

While the top leaders of these countries try to thrash out the details at a meeting at Islamabad in Pakistan, held from 22-24 April, they would also have to work out a system to maintain security of the proposed pipeline — a critical issue considering that it has to pass through terrorist-infested areas.

But more than security, the leaders want to settle the transit fee issue first, says an official in India's petroleum ministry.

While India wants the transit fees to account for only about 5 per cent of the price of delivered gas, Pakistan has sought 10 per cent. IPI covers 2,600 km and would supply 60 million cubic metres (mcm) of gas from Iran's Fars fields. The gas is to be shared equally between India and Pakistan.

Another contentious issue is transportation charge. While Pakistan wants about $1.57 per million British thermal unit (BTU) of gas supply, India says it will offer about $0.69-0.70 per BTU.

An official spokesperson of the Petroleum Ministry said the four countries are likely to sign a gas pipeline framework agreement, a Project Heads Agreement and a Technical Framework Agreement at the end of the Islamabad meet. The discussion on the 1,680-km TAPI is still at a preliminary stage but a framework is likely to be firmed up in Pakistan, sources in the petroleum ministry said.

*M. Rajendran*

ENVIRONMENT

# Second Green Revolution

**India's green movement has got a fresh momentum**

APRIL HAS BEEN A great month for climate change awareness in India. On 21 April, HSBC and the Indian government's Department of Science and Technology announced a public-private partnership, The Earth Sciences Forum. The forum will unite leading industrialists, academicians, civil servants and activists to bring forth adaptation and mitigation strategies, policy recommendations and best case practices for tackling climate change in India. On 22 April, Climate Change India 2008 was held in Pune, where academicians and businessmen proposed various solutions to climate change.

All of this comes a few days after India's largest commodity exchanges — MCX and NCDEX — launched carbon trading schemes; traders can directly buy and sell certified emission reductions (CERs) in India. A CER certifies that a company has eliminated 1 tonne of carbon from its production process. CERs can be sold to companies who are legally required to cut carbon emissions but haven't been able to.

*Pierre Mario Fitter*

Global

## BIZ

**Growth deals**

**Despite the ongoing turbulence in the world financial markets, companies will continue to grow through acquisitions, says Grant Thornton International in its *International Business Report*. The report says 44 per cent of privately held businesses globally are planning to grow through acquisitions in the next three years and 23 per cent anticipate a cross-border deal.**

**1.2 million: The number of Afghan girls who do not have access to schools**

For details contact us at: Ballarpur Industries Limited, First India Place, Tower C, Mehrauli-Gurgaon Road, Gurgaon-122002 (Haryana), India. Ph: (+) 91-124-4099 270/80, 2804 242/3. Fax: (+) 91-124-2389 495, 2560 029/30. E-mail: info@biltpaper.com. Website: www.biltpaper.com.

# Fianchetto

The week's strategic moves and the movers who made the

SANJAY SAKARIA

## Dabur exits pharma biz

The Burman family, promoters of the Dabur group, has announced its decision to exit the pharma business to focus on its core business of consumer products. The promoters' entire stake in Dabur Pharma, 73.3 per cent, was picked up German healthcare firm Fresenius Kabi for Rs 878 crore. Dabur's pharma company sells oncology drugs to over 40 markets. The group had hived off the pharma biz as a separate company last year.

## RPL's Gulf dreams

Mukesh Ambani's Reliance Petroleum (RPL), Asia's largest polypropylene manufacturer, is looking to buttress its presence in the Gulf markets. RPL is planning to set up a polypropylene unit in Kuwait, its first unit outside India.

## Hero's heavy move

The world's largest truck maker Daimler and motorcycle maker Hero Motor Corp. have formed a partnership to make commercial vehicles. The new joint venture (JV), Daimler Hero Motor Corp., will start making trucks under a new brand name by 2010. This will help the Hero Group diversify its products as market for two-wheelers decline. In 2007-08, sales of two-wheelers declined 7.92 per cent.

BLOOMBERG

## US Pizza spreads its taste

Bangalore-based US Pizza Restaurants has announced that it will open more than 1,000 outlets in India over the next three years. The company, which sells fast food under the brand name US Pizza, is also planning 40-45 outlets in European countries such as Norway, Sweden, Germany and France.

## AT&T eyes Aircel

US telecom company AT&T is eyeing India's Aircel. AT&T is reportedly in talks with Malaysia's Maxis Communications to buy out its 74 per cent in Aircel. AT&T already has national and international long-distance licences in India. It needs an Indian partner to make a foray into the mobile services space as foreign investment guidelines restrict foreign ownership in Indian telecom operators to 74 per cent.

## Pune on Lufthansa's India map

Lufthansa has announced Pune as its newest destination in its India network. The German airline will introduce non-stop flights between Pune and Frankfurt from 1 July.

It is the first to link Pune non-stop to

DEALTRACKER

# BW-THOMSON REUTERS M&A TRACKER

**April** The Asian M&A market saw 2,001 deals worth $87.19 billion as on 21 April 2008. China emerged as the largest market in the region with 676 deals worth $19.46 billion.

Top Indian deals

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Provogue (India) | India | Investor Group | India | 119.58 |
| Compania Hulera Tornel | Mexico | JK Tyres & Industries | India | 67.72 |
| Mastek | India | Mastek* | India | 58.31 |
| Patni Computer Systems | India | Patni Computer Systems* | India | 43.23 |
| SEL Manufacturing Co. | India | Investor Group | India | 35.55 |
| Khandelwal Labs Pvt-Anafortan | India | Nicholas Piramal India | India | 29.09 |
| TVS Logistics Services | India | Goldman Sachs Group | US | 25.08 |
| Chang | UK | WNS (Holdings) | India | 19.14 |
| AV Nackawic | Canada | Aditya Birla Mgmt Corp. | India | 8.84 |
| JB Chemicals & Pharmaceuticals | India | JB Chemicals & Pharmaceuticals* | India | 7.37 |

Figures for 7-18 April 2008 *Buyback

Figures for 1 January-21 April 2008

BLOOMBERG

Europe. Pune is regarded as the centre of India's automotive industry and a key manufacturing base for numerous European car manufacturing companies in India.

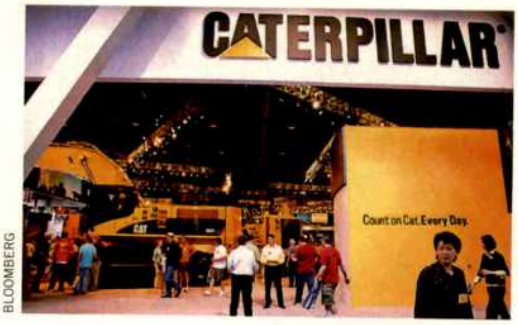
### Value-based partnership

US's largest memory chipmaker Micron Technology Inc. has formed a partnership with Taiwan's Nanya Technology Corp. to develop computer chips. Both companies will invest $1.1 billion into MeiYa Technology Corp., the new JV. This partnership will allow both entitiesto reduce the burden of investing in multi-billon dollar factories separately.

As per the agreement, Micron will provide technology to the new venture. However, Micron will have to pay a certain amount to take a stake.

### Satyam gets going

Hyderabad-based Satyam Computer Services has acquired the market research and customer analytics (MR&CA), intellectual properties and assets of construction and mining equipment maker Caterpillar Inc., for $60 million. According to the agreement, Satyam will launch a business unit offering MR&CA solutions and services globally to Caterpillar and its clients in various industries. The acquisition will strengthen Satyam's relationship with Caterpillar by segmentation, promotions, forecasting, new product development, services, validation and customer survey-execution.



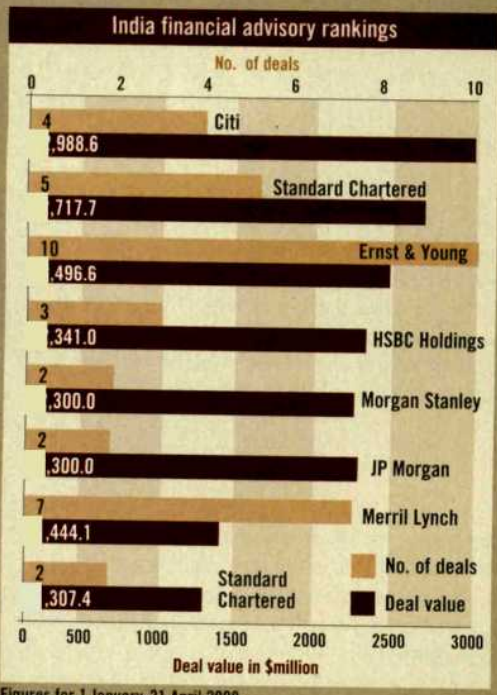
BLOOMBERG

### UBS trims its investment banking unit

Troubled Swiss Bank UBS has announced major restructuring plans, such as slimming down its investment banking arm to a fraction of its present size. As part of the changes, UBS will simplify its structure and rely more on its healthy private-banking business, cutting the size of its investment bank and rejigging the way its board of directors operates.

The bank will rejig its board and, among other things, create a risk committee to better assess market threats.

UBS has been among the worst-hit banks in the US subprime-mortgages crisis. The bank was pressed by shareholder activists to reshuffle its board and reorganise its operations to become profitable again.



Figures for 1 January-21 April 2008

**Top Asian deals**

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Telkom | Indonesia | Telkom* | Indonesia | 500.00 |
| Inner Mongolia Mengniu Milk | China | China Mengniu Dairy Co. | Hong Kong | 386.64 |
| Belle Intl Holdings | Hong Kong | Investor Group | Hong Kong | 356.51 |
| Rusal-Ekibastuzskoye Coal | Kazakhstan | Samruk Holdings | Kazakhstan | 345.00 |
| Sunway Infrastructure | Malaysia | Infra Bumitek | Malaysia | 317.63 |
| Siam Commercial Bank | Thailand | Undisclosed investor | Unknown | 253.65 |
| Chongqing Water Group | China | Investor Group | Hong Kong | 214.52 |
| Jinshan Gold Mines Inc. | Canada | China National Gold Group Corp. | China | 206.07 |
| TSCC Armenia | Armenia | Ras Al Kaimah Minerals | UAE | 200.00 |
| Guangzhou Heyin Plaza Dvlp | China | China Central Properties | Hong Kong | 198.51 |

Figures for 7-18 April 2008 *Buyback

Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently-held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date. League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Log on to www.businessworld.in for the complete list

# Quick Take

# Should RBI further raise CRR or other banking rates in its forthcoming monetary policy review?

**We asked...** Madan Sabnavis, Chief Economist, NCDEX; Rajeev Karwal, Founder and Chief Executive Officer, Milagrow; Charan Wadhva, Professor Emeritus, Centre for Policy Research; Kunj Bansal, Senior Vice-President, Portfolio Management Services, Kotak Securities; B.B. Chakrabarti, Professor, Finance and Control, IIM-Kolkata; Gaurav Mashruwala, financial planner; Arun Kumar, Associate Director, KPMG; Nagesh Kumar, Director-General, Risk and Information Systems forDeveloping Countries; D.K. Joshi, Director and Principal Economist, CRISIL; Arun Sehgal, Senior Consultant, Grant Thornton

"Curbing inflation is top priority, which is why it is important to try and control money supply"

**B.B. Chakrabarti, Professor, Finance and Control, IIM-Kolkata**

"Such monetary policy measures can't help curb surges in global prices"

**Rajeev Karwal, Founder and Chief Executive Officer, Milagrow**

"I don't think increasing rates would have any immediate impact on inflation"

**Madan Sabnavis, Chief Economist, NCDEX**

## Yes 10%

**YES BECAUSE:** Clearly, inflation seems to be on the mind of a lot of people — policymakers and otherwise — these days, and with reason too. So, in a bid to contain inflation, on 17 April, the Reserve Bank of India (RBI) announced a phased hike of 50 basis points or 0.5 per cent in the cash reserve ratio making it 8 per cent. Considering that inflation surged past the 7 per cent mark about two weeks ago, some of our respondents thought that it was about time that the central bank introduced some liquidity management measures. Also, they hope that in the coming monetary policy review on 29 April, the RBI would further raise CRR or other banking rates such as the repo and reverse repo rates considering that banks have huge surplus funds these days and the demand for credit is low.

## No 30%

**NO BECAUSE:** Some of our respondents believed that though inflation is high and needs to be controlled, monetary policy measures are not the way to do it. In fact, there is not much of anything that one can do to control inflation at this point since it is largely driven by a surge in global prices. What the government has been doing so far, that is, targeting specific commodity prices to cushion the overall effect of inflation, is a suitable strategy, though, that too is not a sustainable solution. Also, some felt that it takes a few months for the effects of any monetary policy measure to become visible. So, considering that inflation is high right now, raising banking rates offers no immediate relief.

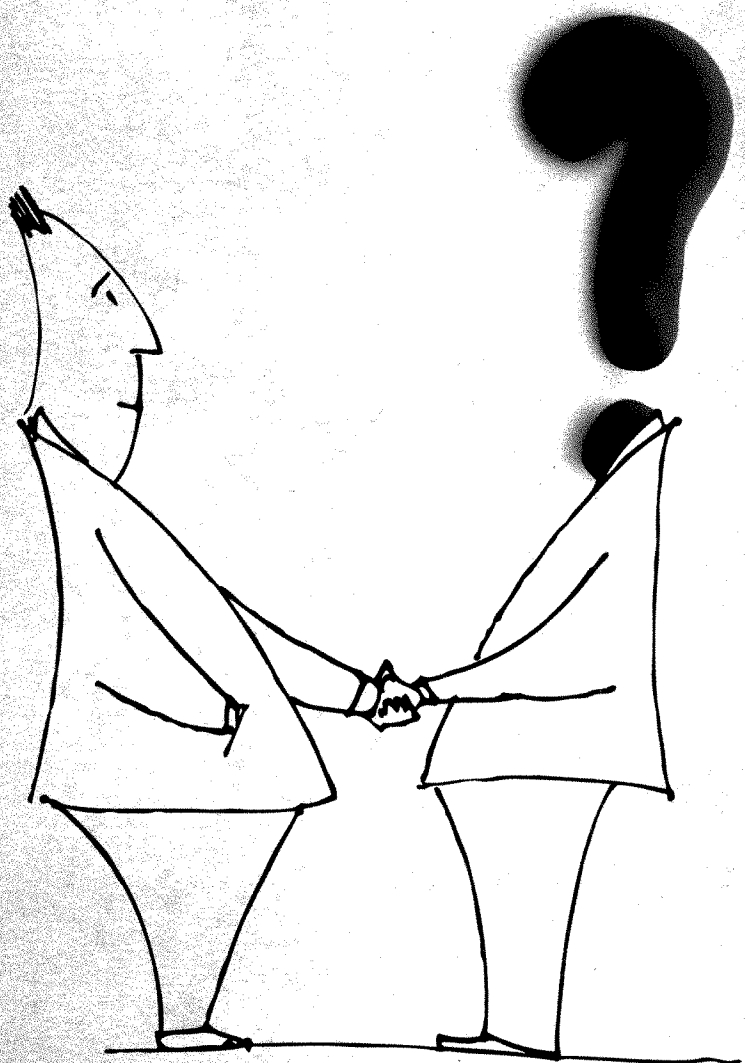
## Maybe 60%

**MAYBE BECAUSE:** Most respondents were of the view that even though the current surge in prices is driven by an overall rise in global commodity prices, monetary policy may just help curb inflation, even if only marginally. However, they also believed that it is not an effective long-term strategy. There was another view that the rates may be increased as a pre-emptive measure only because there are such huge surplus reserves with banks today even though it won't substantially help contain inflation. Plus, some said that if the inflation rate remains somewhere in the margins of 6-6.5 per cent, the central bank may hold back the decision to raise any rates. It should raise them only if the rate is close to 7 per cent.

Microsoft

# HOW WELL DO YOU KNOW YOUR IT PARTNER?

Your business, like every relationship needs to stand on a rock solid foundation of trust. Naturally, your partners and suppliers play a huge role. But can you really trust them to give you the best? Make sure your IT partner provides you with only ORIGINAL Microsoft® software-the right standard for your business.



**Microsoft has taken legal action against the following resellers indulging in hard disk loading of unlicensed Microsoft software:**

**Target Computers**
*Bangalore*

**KMSN Systems**
*Chennai*

**Prior Computers**
*Mumbai*

**Indra Tech**
*Pune*

**Reliable Tech**
*Pune*

**Creation Computers**
*Bangalore*

**Supreme Peripherals**
*Delhi*

**Computer House**
*Jaipur*

**Sri Durga Enterprises**
*Secunderabad*

**Sam Computers**
*Secunderabad*

Consumers, businesses and partners continually ask Microsoft for help in addressing the threat posed by pirates. Microsoft works to increase awareness about the risks of piracy, to engineer products that address these concerns and to enforce anti-piracy policies and laws.

ask for original Microsoft® software

www.askfororiginal.com

FIVE ways to buy original Microsoft software from **askfororiginal.com**

With a New PC | Buy Online | Dial-a-Software | Locate a Store | Volume License

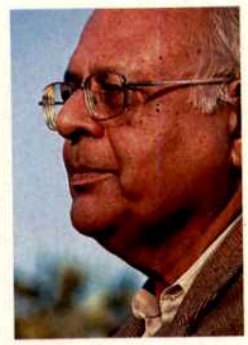
In case you find anyone selling or distributing pirated software, please inform us immediately. Call us at these numbers, **Toll free: 1800-111-100 (MTNL/BSNL)**, **1800-102-1100 (Airtel)** or **Toll: 080-4010-3000**. © 2008 Microsoft Corporation. All rights reserved. Microsoft is a registered trademark of Microsoft Corporation in the United States and/or other countries. The names of the actual companies mentioned herein may be the trademark of their respective owners.

McCann/MSFT/16

# Econometrics Of Happiness

**by ashok v. desai**

ECONOMICS STARTED AS THE SCIENCE OF HAPPINESS. Jeremy Bentham suggested in the 18th century that the state must strive to maximise its citizens' total utility, or happiness. He asserted that utility rose with income; he thus made growth an objective of policy. He also believed that utility could be compared across human beings, and increased by transferring income from a rich to a poor man. In the next 150 years, however, economics grew in various directions, until it came to have little to do with happiness. The connection between the two was finally snapped by Lionel Robbins in 1932. In his *Nature and Significance of Economic Science*, he claimed that economics was a positive science like any natural science; the point of doing economics was to reveal new truths. It took people's preferences as given, and asked how best they could be satisfied with limited means. By the time I learnt economics in the 1950s, we covered utility and indifference curves in the first year, and then left them behind.



**Happiness grows as our incomes grow; the more we earned yesterday, the less happy we are today**

Economics does take growth of income to be desirable, which it can be only if earning more makes people happier. But over the past 40 years, evidence accumulated that people who got richer did not become happier. Richard Layard reviewed it in his Lionel Robbins Lectures in 2002-03. In the 50 years after 1946, Americans' per capita GDP almost quadrupled. But the proportion of Americans who said they were very happy remained about the same — 1/4-1/5 of the population. The Japanese got six times richer after the War, but were no happier. Europeans came to be asked only from the 1970s onwards. Their answers showed only Danes and Italians to have become happier; the happiness of the rest was impervious to their growing prosperity.

These results were all the more intriguing because every survey showed rich people to be happier than poor people. That applied within countries; it applied between countries as well. The average happiness scores of Indians and Pakistanis were lower than of Britons and Germans. Admittedly, the relationship was not linear; the differences in happiness were not proportional to differences in income. Happiness seemed to increase with income up to a certain level, and then income seemed to stop making people happier. Once a family was making $15,000 a head — Rs 50,000 a month per head — additional income did not add much to happiness. This was consistent with Bentham's principle of diminishing marginal utility. But Angus Deaton has shown recently that marginal utility does not fall to zero. He regressed satisfaction on log of income, and the relationship came out to be linear. In other words, the same proportional increases of income give the same satisfaction — from Rs 10,000 to Rs 11,000 as much as from Rs 1 million to Rs 1.1 million.

Why is it, then, that people do not become permanently happier when they get richer? It is because whatever they may think is enough today, tomorrow they will want more. The income people consider satisfactory rises over time, in proportion to their income. Happiness lies only a few thousand beyond their own income. Put another way, high income today makes people happy, but high income yesterday makes them unhappy. It is as if they are jealous of what they were yesterday; the better off they were then, the more miserable they are today. Econometric equations fitted to European data suggest that happiness adjusts itself completely to income in four years; after that, a rise in income has no effect on happiness.

And jealousy applies between people as well. They do not enjoy themselves so much if people around them are better off. And they do enjoy having worse-off people around them. In an experiment, women were shown pictures of models; they felt unhappy. Men were shown the pictures. They felt happy, but they were less happy about their wives.

From these facts, Baron Layard concluded that the greatest addition to the world's happiness would come if people became more spontaneously generous. He quoted with approval Bentham's advice to his daughter: "Create all the happiness you are able to create; remove all the misery you are able to remove. Every day will allow you to add something to the pleasure of others, and to diminish something of their pains. And for every grain of enjoyment you sow in the bosom of another, you shall find a harvest in your own bosom; while every sorrow which you pluck out from the thoughts and feelings of a fellow creature shall be replaced by beautiful peace and joy in the sanctuary of your soul."

The author is Consultant Editor of *Businessworld*
*ashok.desai@gmail.com*

Our quality lies in the standards we set for ourselves. We think change is an adventure. We are prepared for the future. CDI, the largest animation film outsourcing company in South Asia is presently working on prestigious international assignments worth US$65.80 million. With a phenomenal growth of over 360% in just 5 years, CDI is fast emerging as the undisputed leader in the animation film industry in Asia. Our co-production partners include WhiteLight Entertainment, makers of block buster films - Jurassic Park, The Lost World, Schindler's List, Casper, Twister, Rain Man, Flintstones etc. Winners of 19 Academy Awards including 2 for Best Picture.

South Asia's No.1 Film animation company

GAMING ○ ANIMATION ○ MOVIES

CDi
Redefining Entertainment

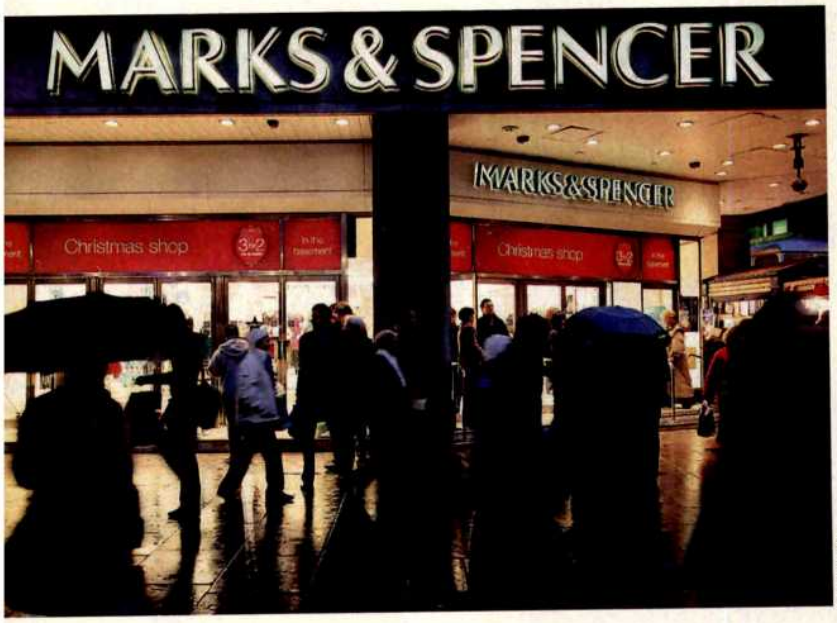
Compact Disc India Ltd.
SCO 856, NAC Manimajra, Chandigarh - 160101, India Tel +91 172 2734331 / 5076870 Fax +91 172 2733014
E-mail : info@compactdisc.co.in Website : www.compactdisc.co.in

SINGAPORE | MALAYSIA | INDIA | UNITED KINGDOM

BUZZ Inc.com

# Now, At A Discount

**by Gurbir Singh**




BLOOMBERG

**SHOPPER'S STOP:** The big retail picture is no longer that rosy

THE RETAIL INDUSTRY WAS ABUZZ LAST WEEK when Marks & Spencer announced its joint venture with Mukesh Ambani's Reliance Retail. The JV company, in which the UK chain will hold 51 per cent, said it will invest Rs 230 crore and set up 50 stores over the next five years. Yet, all the celebration could not hide the fact that the retail business is facing a slowdown.

Riding the 2007 bull run, many diversified groups, such as Reliance, had announced big retail drives. The Mukesh Ambani Reliance Group aimed to set up 1,000 stores in 2007; the Aditya Birla Group said last May it would invest Rs 8,000 crore-9,000 crore over three years in its retail brand 'More'. In March last year, the Goenkas' RPG Retail said it would ramp up its Spencer's retail outlets from 125 to 2,000 over two years, investing around Rs 1,200 crore.

**Big retail plans teeter, but sentiments remain bullish**

But a cash crunch and lower consumer spending are beginning to take a toll. Reliance Retail, for example, has been the target of politically motivated protests in UP, and has effectively been shut out of the state. Analysts claim that it has met barely one-tenth of its target for new stores. Store rollout in tier-III towns in Bihar and central India has also been put on hold. Plans by the other big retail chains, such as Spencer's and More, also appear to have slowed down. Paresh Chaudhry, president of corporate communications of the Reliance group, says the group's retail business is still on "test pilot mode", but denied any slowdown in plans. "We have opened 597 stores so far," he says.

Seemingly big opportunities are stymied by legal bottlenecks and the inability to ramp up business practices speedily. In June 2005, Wal-Mart's President and CEO John Menzer saw India's $250-billion retail market as a "future jewel". Wal-Mart finally came to India in a JV with Bharti Retail last year, but limited itself to 10-15 cash-and-carry facilities over seven years.

"The big retail picture is not all that rosy," says IndiaReits' CIO Shashi Kumar. "Many of the retail chains have not got their back-end in order." Many foreign single brands — with notable exceptions, such as McDonald's and Nike — have not done well; the grey market has undercut them or their franchisees have pushed their own brands. Overall sentiment, though, remains bullish. Pantaloon's Kishore Biyani, for one, doesn't believe there is a slowdown. He admits he had feared a blip six months ago, but the current turnover of his outlets show "double digit growth".

The retail business has a large impact on commercial real estate. A recent international survey of 300 retailers by realty consultants CB Richard Ellis identified India as the most sought-after market. The survey said "27 per cent of those surveyed had opened their first store in India in the last year or are planning to do so imminently".

However, retailers and realty developers may have overestimated demand. Realty consultancy Knight Frank had warned that the glut of malls would force developers to turn them into other commercial office or hotel space. The worst hit has been the Mehrauli-Gurgaon belt in the Delhi NCR region where several projects, such as JMD Regent Mall, Centrum Plaza and Time Towers, which started as malls, could not find retailers and converted them to commercial or office space. "Of the total expected supply (of malls), about 65 per cent has now been converted into either commercial or hotel space," said the Knight Frank report.

"It is over-estimating the market when you construct a 2.5 million sq.ft. mall in Aurangabad," said IndiaReits's Kumar, referring to the Provogue Group's venture. "And foreigners often forget that India is a discount-seeking market."

*gurbir.singh@abp.in*

ISO : 9001 : 2000 certified

Emirates Towers

# **Major** Landmarks
# **Two** Countries
# **One** Cooling Solution

Convention Centre for EMAAR, Hyderabad

District cooling plant for Burj Dubai & Dubai Mall.

Delhi Metro Rail Corporation

The Delhi Metro Rail Corp., Delhi, the Convention Centre, Hyderabad in India; the UAE's District Cooling plant for Burj Dubai & Dubai Mall and Emirates Tower, Dubai. These are just some of our many satisfied clients.

With more than 30 years of international experience, the client list of ETA's environmental control system division is long and impressive. We offer more than turn-key solutions.

Yes, It has been a long journey of excellence, that has helped us to reach the top.

ETA STAR

Contact ETA for all your requirements of Air conditioning and Electrical Services, whether they're shopping malls, multiplexes, IT Parks or industrial complexes.

ETA

Leaders in Cooling Solutions

**A ENGINEERING PVT. LTD., AHMEDABAD :** Tel.: +91 79 65417766 **Email : ahmedabad@eta-engg.com • BANGALORE ETA HOUSE :** Tel.: +91 80 41802300, Fax : +91 80 41802355
**il : blore@eta-engg.com • BHOPAL :** Tel.: +91 755 2555680 **• COCHIN :** Tel.: +91 484 4010638, Fax : +91 484 2222680, **Email : cochin@eta-engg.com • CHENNAI :**
+91 44 28297626 / 28297636, Fax : +91 44 28297634, **Email : chennai@eta-engg.com • NEW DELHI ETA HOUSE :** Tel.: +91 11 41520840-43, Fax : +91 11 41520844, **Email : eta-engg@eta-engg.com**
**'DERABAD :** Tel.: +91 40 27763529 / 30 / 32, Fax : +91 40 27762641 **Email : hydbad@eta-engg.com • KOLKATTA :** Tel.: +91 33 24864329 / 64543304, Fax.: +91 33 24864329,
**il : kolkatta@eta-engg.com • MUMBAI :** +91 22 67742700 - 707, Fax : +91 22 67742708 **Email : mumbai@eta-engg.com • PONDICHERRY :** Tel.: +91 413 2641774/75, 2640776,
: +91 413 2640053, **Email : pondy@eta-engg.com • Pune :** +91 20 26051310, **Email : pune@eta-engg.com • AMBATTUR FACTORY :** Tel.: +91 44 26253514,

# Warehouse Banking

**by Dinesh Narayanan and Raghu Mohan**

## ICICI Bank renews interest in collateral management

MANAGING THOUSANDS OF TONNES OF WHEAT, RICE and pulses is a complex but lucrative business. As a commodity boom takes root in the country and the futures market gradually develops, demand is increasing for collateral management or managing large stocks of grains and pulses and other agri-commodities. Now, India's largest private commercial bank, ICICI Bank, is eyeing that business.

ICICI Bank is planning to set up an independent collateral management company, according to sources. While an official spokesperson of ICICI Bank denied that any such move is afoot, three officials in the group, on condition of anonymity, independently confirmed to *BW* that they were aware of the plan.

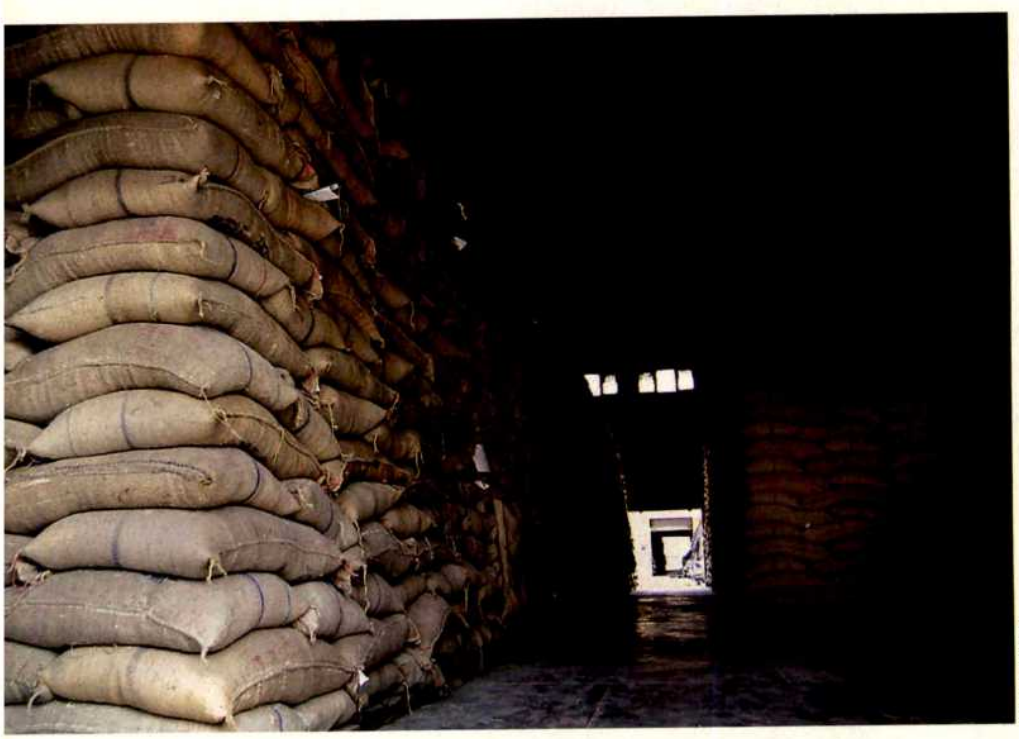
Currently, there are two companies that are engaged in the business — National Collateral Management Services (NCMSL), promoted by the National Commodities and Derivatives Exchange (NCDEX); and National Bulk Handling Corporation (NBHC), promoted by Financial Technologies, which is also the promoter of Multi-Commodity Exchange (MCX). Several banks hold stakes in both the companies.

ICICI Bank earlier had an indirect interest in NCMSL through its shareholding in NCDEX, an electronic multi-commodity exchange it helped promote with a few other banks. It gradually sold off all its shares in the exchange. Last year, it sold a 7 per cent stake in the unlisted NCDEX to Goldman Sachs. It sold its remaining 8 per cent holding to Intercontinental Exchange, which trades energy derivatives.

Collateral managers set up or lease warehouses where farmers and traders can store produce for which they get an acknowledgement specifying the quantity and grade of the commodity. The acknowledgement or a warehouse receipt is an assurance that a certain amount of a particular commodity of a certain standard is in the custody of the warehouse manager and can be traded or pledged to raise loans. Warehouse receipt (WR) financing, where banks lend money against the collateral acknowledged in the WRs, is a nascent, albeit fast-growing business. ICICI Bank itself has a significant WR finance portfolio. Media reports have pegged it at about Rs 1,600 crore, though it could not be independently ascertained.

In 2006, the bank had burnt its fingers when it was hit by a fraud and is estimated to have lost about Rs 200 crore. It had made a provision of Rs 93 crore in that year anticipating that it would not be able to recoup all the losses. It had discontinued the business for a while but restarted last year with tighter controls and processes.

Collateral management is a tricky business because most agri-commodities are perishable and have to be stored well. The warehouse receipt is a guarantee of the quantity as well as quality of the goods stored in the godowns. The electronic commodity derivatives exchanges are new in India and their credibility rests on being able to deliver goods of quality and quantity standards promised in contracts. That depends on the quality, security and efficient management of warehouses.



SANJAY SAKARIA

**IN LIEU OF:** Warehouse receipts allow farmers and traders to raise loans

*dinesh.narayanan@abp.in*
*raghu.mohan@abp.in*

BLOOMBERG

# Volcanic Cure

**by Gauri Kamath**

## French clay holds promise against staph bacteria

SCIENTISTS AT THE ARIZONA STATE UNIVERSITY (ASU) have found that French volcanic clay samples have anti-infective properties that can stop the dreaded staph aureus — short for staphylococcus aureus — bacterium in its tracks. But the research is still nascent and it could be years before it gets converted into a new drug, if ever. Staph can cause infections ranging from boils and folliculitis to life-threatening blood poisoning and cellulitis. It stalks hospitals and homes alike, and people who have surgical wounds and low immunity are particularly vulnerable.

Globally, MRSA, a condition where staph aureus becomes resistant to conventional antibiotic methicillin, a penicillin derivative, has become a health concern prompting companies to pump in millions of dollars to find replacements. While there are drugs available — for instance, Pfizer's popular antibiotic linezolid (branded Zyvox) and Eli Lilly's vancomycin — the search is on for newer antibiotics to reduce dosage and increase convenience by providing dosage options from capsules to ointments.

ASU researchers Lynda Williams and Shelley Haydel say that the French clay not only displayed strong and broad-spectrum antibiotic properties against different bacteria, it also worked on resistant staph. "It is our goal to find a new antibacterial that works differently from known antibiotics," says Williams, an associate research professor at ASU's School of Earth and Space Exploration, in an e-mail to *BW*. Williams says the idea of studying clay emerged from the observations of a French humanitarian who used clay to cure Buruli ulcer, a mycobacterial infection, on the Ivory Coast.

The research is in its early stages. More work also needs to go into what could be potential side-effects.

The jury is still out on where this will end up, though some argue that existing medicines work well. "Our research shows that doctors still prefer vancomycin against MRSA," says Holger Rovini, an analyst at UK's Datamonitor. "There is very little vancomycin resistance out there." Pfizer's Zyvox, too, is growing rapidly with revenues of about $1 billion a year.

Some, like S.K. Mitra, head of R&D at Bangalore's Himalaya Drug Company, question the sustainability and reproducability of clay as a source for a medicine. "How much of this clay will be available, and for how long is the question," says Mitra. "Unlike plants, you can't grow clay, and properties of naturally-found clay may vary from time to time and place to place."

Despite the scepticism, the researchers intend to carry on their work. They will collect more clay samples from all over the world, and India, too, could be on the radar.

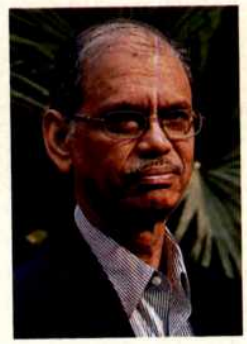
*gauri.kamath@abp.in*

**SPEWING A CURE:** From the depths of the earth could come a broad-spectrum antibiotic

# China's Tibet Test

**by nayan chanda**

A YOUNG AMPUTEE ATHLETE FROM CHINA, JIN Jing, shot to fame when she grimly clung to the Olympic torch on her wheelchair as a pro-Tibetan protester in Paris tried to snatch it from her. Television and newspapers lionised her and countless Chinese bloggers held her up as the newest star in the pantheon of Chinese heroes. Within days, though, the winds changed and Jin became the object of scorn and vilification on the Internet. The reason: she counselled against the boycott of the giant French supermarket chain Carrefour as it might hurt their Chinese employees. The meteoric rise of this obscure athlete and her quick fall from grace highlights the volatility of the hyperconnected world and also the perils that lurk behind rich prospects of globalisation.



**The Chinese government is concerned about the impact of anti-West protests on its economic relations**

The global information highway that allows nearly a quarter-billion Chinese and millions of their brethren abroad to connect and take collective actions can also threaten the very economic integration responsible for China's rise. The Chinese government, which has stoked patriotism to redeem its global honour, may now, like Jin, be having second thoughts on the fallout.

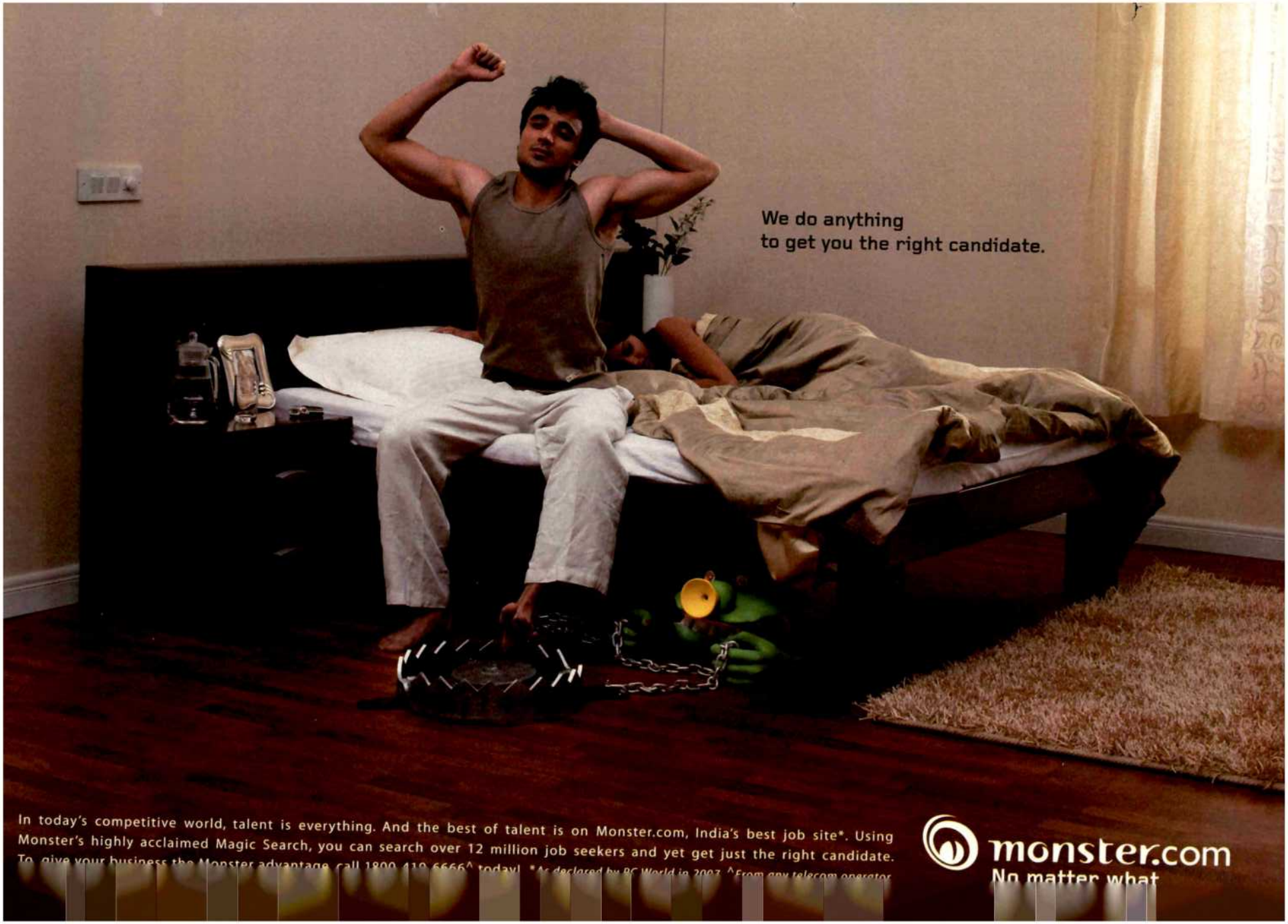
Although the journey of the Olympic torch has encountered protests in almost every country, Chinese Netizens (both inside and outside the country) have singled out France partly because of the televised scenes of the attempt at snatching the torch in Paris and the rumour that the French supermarket Carrefour has helped the Dalai Lama. The charge has been denied by the company but calls to boycott French goods and especially Carrefour, with its 120 branches in China, has swept the Chinese internet.

The heat generated in cyberspace has spilled over into many Chinese city streets. Overseas Chinese — students and others — too have demonstrated in major cities in Europe and America, venting their anger at what they believe to be the anti-China bias of the Western media. Protests by Chinese youth against perceived foreign enemies have a long history. What makes the current spate of protests and calls for boycott of Western goods different is the speed and worldwide reach of such actions and the virulence of their patriotism that borders on chauvinism. Within hours of the news of an event, angry Netizens have hit the Web and their shrill voices amplified by the megaphone of chat rooms and blogospheres have ricocheted around the world. A Chinese student at Duke University calling for dialogue with Tibetans was denounced as a traitor and her terrified parents in China have gone into hiding. Athlete Jin, lionised as a heroine only a day earlier, has been called "brainless evil-eyed wolf traitor." The chauvinistic and often violent outpourings on the Internet — visible to the whole world — may be giving the authorities some pause. While the government may enjoy this moment of unstinting support from its citizens, it is concerned about the impact of such protests on foreign attendance at the Olympics and the long-term consequences on China's economic relations.

Carrefour, which employed 40,000 people in their stores in China, actually offered employment to millions more by procuring most of the products locally. The world's second biggest retailer also imported sizable amount of Chinese products for their stores the world over. China's prosperity is linked to its position as the world's third largest exporter with export providing 35 per cent of its GDP (2005). Not surprisingly, the official *People's Daily* has taken to walking a fine line. It praised the patriotism of the Netizens but cautioned them not to place obstacles in the way of foreign investment in China. The editorial exhorted citizens to "express our patriotic enthusiasm calmly and rationally and express patriotic aspiration in an orderly and legal manner." Official commentaries have reminded protesters that foreign investment helped create jobs and propelled China's economic growth.

Judging by the way the authorities have tried to contain demonstrations before the French embassy and Carrefour stores while allowing citizens to let off steam on the Web, China seems to be searching for ways to protect the two pillars over which its legitimacy rests — its roles as a defender of an ancient nation and as a builder of modern China. The outpouring of patriotic emotions on the Web is a propaganda bonanza that helps reinforce the Communist Party's nationalist credentials. But China's leaders are determined not to let patriotic sentiment throw a spanner in its plans to build a prosperous China riding the wave of globalisation.

The author is Director of Publications at the Yale Center for the Study of Globalization and Editor of *YaleGlobal Online*.
*boundtogether.bw@gmail.com*


We do anything
to get you the right candidate.
In today's competitive world, talent is everything. And the best of talent is on Monster.com, India's best job site*. Using Monster's highly acclaimed Magic Search, you can search over 12 million job seekers and yet get just the right candidate. To give your business the Monster advantage, call 1800 419 6666^ today! *As declared by PC World in 2007. ^From any telecom operator
monster.com
No matter what

A BWI SPECIAL PRESENTATION

# Innovating locally for global growth

*Naresh Wadhwa, president and country manager, Cisco Systems - India & SAARC*

**SOME WEEKS AGO, I READ AN INTERESTING** book excerpt on 'value creation selling'. The concept in simple terms suggested the purchasing decision today depended greatly on the value a seller/service provider offered the customer. Value in this case refers to business value, an improvement in business performance customers expected from the purchase.

What struck me was this concept encapsulated what I believe the Indian customer wants today. Typically, customers would rate sellers on the quality of product offering, price, after sales service, ease of use and total cost of ownership. As the Indian market evolves, the customer is looking beyond these factors and demanding business value. For instance, a large bank deploying a technology solution ultimately expects its solutions provider to deliver business relevance.

Look at retail - the landscape of every city and town in India is changing rapidly as malls, departmental stores and hypermarkets mushroom, vying with several other store formats to reach out to the same set of consumers. The primary concern of these retail outlets is how they can differentiate, offer their customers better value and sustain profitability. Can technology help these retailers differentiate? Are their customers looking for personalisation? Will a centralised network across 400-plus stores help inventory management? These are questions that any service provider or technology provider should ideally have solutions for, when selling to these retailers.

In the yesteryears, my sales pitch to a retailer might have been "why technology?" Not anymore; today, business decision makers have developed a better appreciation of technology and view it as a strategic asset. Selling a feature-rich product or a service will not suffice, what will win and retain this customer is a keen insight on his business problems and suggestions on how these could be addressed.

What is driving this shift? India has a buoyant economy, a large consumer base with spending power, and also India Inc. is looking for opportunities to scale up and globalise. Customers across the spectrum are demanding highly personalised products and services, which requires service and solutions providers to think differently and understand each customer's specific needs.

With technology becoming all-pervasive, customers realise that this level of personalisation is a possibility, making it imperative for businesses today, to personalise where required. Consequently, businesses in India are innovating to keep pace with changing market demands.

Several strategists reinforce this concept. They believe innovation will be led by rapidly growing emerging markets, characterised by burgeoning middle class of primarily young consumers who demand the latest products without compromising on quality, price or performance.

India reflects this new breed of emerging markets. We have seen innovations over the years, whether it is the sachet marketing phenomenon of the eighties or the aggressive tariff plans of mobile service providers of the new millennium or the innovatively packaged low-cost automobile. Clearly, retrofitting in such a market is not the answer, customisation and local innovation is.

However, be warned - the true beneficiaries of emerging market opportunities will not be those who pay lip service to the concept of innovation by localising products. Companies will need to examine the market more closely, identify customer needs, understand the patterns of innovation, engage in 'disruptive' thinking and if required, devise products and services wholly, so they address unique challenges which meet the price, performance targets.

Connected agriculture solutions or voice-activated ATM screens, village knowledge centres, there are some interesting ideas being explored on-ground. And it is interesting to note that not only can these solutions catalyse economic growth in country like India, benefiting the masses and the innovators but also, lessons from these innovations could be applied in other emerging markets.

Another related theory even goes as far as to suggest these lessons could be applied in more developed economies - a concept described as 'innovation blowback' by authors John Hagel and John Seely Brown in their book, 'The Only Sustainable Edge: Why Business Strategy Depends on Productive Friction and Dynamic Specialisation.'

While it might be early days for 'innovation blowback', I know from personal experience that value creation selling is emerging as corporations become business advisors to local customers and in the process, offer innovative solutions that can be adapted for growth in similar emerging markets.

Businessworld

# MANAGING PEOPLE

PHOTOGRAPH: HEMANT MISHRA


**30 Foreword**
Now, a chance for HR to dictate company strategy

**32 Employee engagement**
Thirty-four per cent staff in India is 'fully engaged'

**36 Small and smart**
What SMEs could do to fight attrition

**38 Column: R. Gopalakrishnan**
Place human resources on line managers' agendas

**40 Foreign issues**
Global M&A deals pose a big HR challenge

**44 Column: Subroto Bagchi**
The future belongs to those who develop five minds

**46 Experiential training**
Learning through physical challenge

**50 Knowledge management**
People come and go, but firms retain knowledge

**52 Working from home**
How good is the flexi-hours policy?

**54 Women managers**
What stops them from reaching the top?

# Uneasy Signs

by Rajeev Dubey

R.A. CHANDROO

**HIKE SPIKE:** The biggest HR challenge is in managing the aspirations of the 20-somethings

TODAY'S EUPHORIC CORPORATE environment has posed daunting challenges for human resource (HR) management. While demand for manpower is rising, supply isn't able to keep pace. While wage bills are bloating, quality of manpower is deteriorating. And, while there is a surfeit of graduates, their employability is low, due to poor skills. This is just the ideal setting for HR management to shed its decades of inhibition, take centre stage and dictate strategy alongside other key functions such as finance, marketing and sales.

But, except for a handful of cases, HR in corporate India hasn't been able to shake off its traditional role of a support function focused on labour relations and hiring. According to estimates by HR consultants, less than 3 per cent of HR heads in India sit on the boards of their companies. Even fewer seek a role in strategic planning and execution, though this is slowly changing. Says Wipro Spectramind's Vice-President S. Varadarajan: "HR itself has been trying to keep pace with the challenges and play a role bigger than that of a support function." The biggest drawback is a deep-rooted mindset from B-schools, where text books and lectures have actively ingrained HR's support role in the minds of young professionals.

Possibly, one way of shedding this is to rotate HR professionals across functions, businesses and offices. Few organisations, for example, GE

and LG, have successfully done this, and have reaped rich benefits via innovations. Among Indian companies, TCS encourages its employees to work across functions. Another option is to engage with employees, which increases their commitment and passion towards the organisation and their own goals are aligned with that of the organisation. The *BW*-HR Anexi BlessingWhite Employee Engagement Survey 2008 (page 32) has concluded that engaged employees contribute the maximum to the growth of the organisation and that firms must harness their ability to influence and motivate others.

Another option is to link the impact of HR initiatives to tangible topline and bottomline benefits, and treat them as integral to business. This is a huge ask because connecting something like training to revenues isn't easily quantifiable. But that's precisely what HR firms have begun focusing on. "Companies have been demanding tangible, result-oriented benefits of HR," says HR Anexi's MD Ashish Arora. "Unless they see value, they aren't interested." In times like these, HR can play a pivotal role in organisational development by anticipating future business needs and by delivering on those expectations through advance capacity building. In Mysore, for instance, Infosys Technologies can simultaneously train 13,500 people.

Unfortunately, corporates are already beginning to hit a roadblock in such capacity building. Their big challenge is in managing the aspirations of the 20-somethings just 2-3 years into their careers. HR specialists are worried that this generation considers 35-50 per cent annual salary hikes as its right. According to Dhirendra Shantilal, Asia-pacific head of Kelly Services, the world's fourth largest recruitment company, "The cost of hiring in India has almost doubled across all industries in the past three years." But efficiency isn't keeping pace. A survey by Kelly Services last year concluded that people efficiency in India was barely 50-60 per cent against a global average of 80-90 per cent. "What they don't understand is that just five years ago, annual hikes would rarely go beyond 15 per cent. And that those times will be back," says the HR head of one of India's largest BPO firms. Global average is between 2-5 per cent.

On top of the vulnerability curve are firms that are operating in high growth sectors, such as retail, aviation, telecom and media, where the skill shortage is very severe. This is despite a record growth in the number of universities (20 to 378) and colleges (from 500 to over 18,000) in India since Independence. They churn out in excess of 2 million graduates every year. But, according to a survey by temping firm Teamlease, only one-fifth of these graduates are employable. Of these, only 30 per cent of IT graduates, 25 per cent of engineering graduates, 15 per cent of finance and accounting professionals and 10 per cent of other professionals are suitable to be employed in multinational companies. This, according to Teamlease, is due to knowledge and skill set gaps, which has a direct bearing on unemployment and low income levels. "HR intensive industries are facing a shortage of qualified and skilled people, even in factories," says Mahesh Vyas, managing director of Centre for Monitoring Indian Economy.

**HR hasn't been able to shake off its traditional role of a support function**

While such crunch has forced large industries to recognise the critical role of HR development, it has failed to penetrate the small and medium enterprises that account for 40 per cent of India's GDP. Shockingly, over 99 per cent of India's 3.57 million SMEs don't follow contemporary HR practices. Either they don't have HR heads, or HR is a one-man set-up dealing with labour relations. According to HR Anexi's Arora, just Mumbai and its surrounding industrial belts have 1,800 SMEs who don't employ HR heads. But SMEs have a genuine problem. HR professionals with 5-20 years of experience aren't excited about working for unknown entities and senior executives are beyond their capacity to pay. Their only hope lies in outsourcing their HR functions to external consultants. But given the lack of consolidation, the HR consulting industry works like a cottage industry of over 5,000 firms. The SME market is clearly looking forward to leadership, consolidation and standardised services.

Meanwhile, coming back to the euphoria: Manpower's Employment Outlook Survey of Q2, 2008 of 5,279 employers in India has revealed that 37 per cent of employers intend to increase their staff strength this quarter, while 54 per cent would make no changes. Only 1 per cent of employers said they would reduce their staff strength. Clearly, the pressure on HR isn't going to ease any time soon. The dynamics of globalised industries are pressing unprecedented demands on HR. Its challenge lies in spotting this opportunity to play a central role in this transitory phase by emerging from the shadows of other core functions.

*rajeevdubey@abp.in*

# Engage The Employee

**Figuring just how much of a worker's heart is in the job**

THE QUEST TO FIND THE BEST WAY TO RETAIN EMployees has taken HR pundits through concepts such as employee reviews, employee satisfaction and employee delight. The latest idea is employee engagement, a concept that holds that it is the degree to which an employee is emotionally bonded to his organisation and passionate about his work that really matters.

The *BW*-HR Anexi BlessingWhite Employee Engagement Survey 2008 shows significant differences between what motivates workers in India and what motivates workers in other countries. The term 'employee engagement' represents an alignment of maximum job satisfaction with maximum job contribution. By plotting a given population against these two axes, we identified five distinct employee segments: (a) Fully engaged (b) Almost engaged (c) Honeymooners & hamsters (d) Crash & burn and (e) Disengaged. The global survey shows that 34 per cent of the employees in India are fully engaged and 13 per cent disengaged. As many as 29 per cent are 'almost engaged'.

### Focus On Employee Engagement

**Engagement by industry:** With the exception of the government sector (which has relatively low engagement levels in all countries), some high-tech industries (pharma, biotech) score low whereas some service-focused industries (retail, consumer products) score high.

**Engagement by level:** Our survey shows that people higher up in the organisation experience higher engagement. However, there is a drop in engagement past the vice-president level.

**Engagement by gender:** The survey reveals a large disparity between men and women: Men count 8 per cent more fully engaged and 6 per cent less disengaged than women.

### What Employees Want

**Factors influencing satisfaction:** In the survey, respondents were asked to pick one of eight factors that they believed would most influence their satisfaction at work. Career development opportunities and training (30 per cent), more challenging work (20 per cent), and more opportunities to do what I do best (19 per cent) were the three factors at the top of Indian workers' wish lists, consistent with the top three global demands.

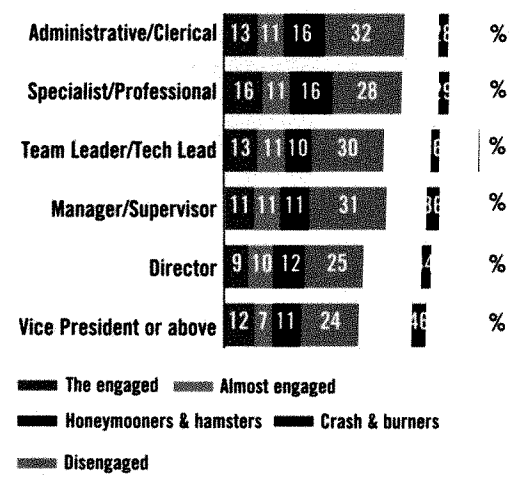
**Factors influencing contribution:** Respondents were asked to pick the single top item they believed would most influence their contribution at work. Again, the top three items for Indian workers match the top three global requests: Development opportunities and training (26 per cent); regular, specific feedback about how I'm doing (25 per cent); and greater clarity about what the organisation needs me to do and why (22 per cent).

**Retention:** In 2008, HR executives in India continue to struggle with talent management issues, particularly retention. Yet, when asked the question, "Assuming you have a choice, do you plan to remain with your organisation through 2008?", 65.54 per cent said "yes".

Clearly, Indian employees expect opportunity and a chance to partake in the action. But the real test for Indian companies is still to come: can these levels of engagement be sustained in a downturn? Will the employees be ready when market demands change and companies need to react? Building an engaged and loyal workforce today will help weather the challenges of tomorrow.

## Heights Of Engagement

People higher up in the organisation expectedly show higher levels of engagement as they are closer to the centres of decision making, have more say in the direction of the organisation and presumably were promoted at least partly on the basis of their ability to deliver in tune with the organisation's goals. Another clearly observable pattern is that there is a drop in the level of engagement past the VP level.



## Indians Workers More Satisfied

Taking global figures into account, it can be said that Indian workers are among the most focused and satisfied in the world. Slightly more than a third (34 per cent) of the employees in India are fully engaged while 13 per cent of them are disengaged. The economic growth in India is such that opportunities are aplenty for the respondent population. Therefore, pay and growth opportunities rate highly in their list of expectations.

| Region | Disengaged | Honeymooners & hamsters | Crash & burn | Almost engaged | Fully engaged |
|---|---|---|---|---|---|
| India | 13% | 13% | 11% | 29% | 34% |
| South AF. | 11% | 14% | 18% | 26% | 31% |
| NA | 19% | 12% | 13% | 27% | 29% |
| AU NZ | 20% | 18% | 12% | 24% | 26% |
| Europe | 21% | 15% | 13% | 28% | 23% |
| SEA | 21% | 9% | 18% | 31% | 22% |
| China | 33% | 9% | 16% | 32% | 10% |
| Other | 36% | 7% | 7% | 27% | 24% |
| Grand Total | 18% | 12% | 13% | 28% | 29% |

## Engagement By Gender

The level of engagement seen in terms of gender classification shows some interesting trends. There is a considerable disparity in engagement when it comes to employees of different genders. Eight per cent more men than women are fully engaged. Apart from that, it is also revealed by the findings that as much as 6 per cent less members of the male population are disengaged than members of the female population.

| | Fully engaged | Almost engaged | Newlyweds & hamsters | Crash & burn | Disengaged |
|---|---|---|---|---|---|
| Female | 28% | 29% | 14% | 12% | 18% |
| Male | 36% | 29% | 12% | 10% | 12% |
| Grand Total | 34% | 29% | 13% | 11% | 13% |

**29%**

is the percentage of employees in India who figure in the 'almost engaged' category. It is slightly more than the global average of 28 per cent. China scores the highest on this count, with 32 per cent of its employees falling in the 'almost engaged' category.

**18%**

is the percentage of complete disengagement among the female working population, compared to 12 per cent among men. The percentage of female employees in the 'crash and burn' category is also slightly more than that of men at 10 per cent. Female workers are thus clearly behind in their levels of engagement.

## Employees Seek More Challenging Assignments

Each person surveyed was asked to pick the single top item that he or she believed would most influence satisfaction at work. Across regions, the Indian working population lists three items as the most important for satisfaction at the workplace. They are, in order of priority: career development opportunities and training, more challenging work and more opportunities to do what the particular employee thinks he or she can perform best at. In this respect, the Indian employee's wishes match the top three global demands.

| | Career development opportunities and training | More challenging work | More opportunities to do what I do best | Greater clarity about my own work preferences and career goals | Greater clarity about what the organisation needs me to do – and why | Improved cooperation among my co-workers | More say in how my work gets done | A better relationship with my manager |
|---|---|---|---|---|---|---|---|---|
| India | 30.03% | 20.09% | 19.33% | 10.74% | 7.71% | 4.47% | 4.04% | 3.58% |
| Grand Total | 28.22% | 12.24% | 23.80% | 9.80% | 8.28% | 7.39% | 5.43% | 4.82% |

# HR Special survey

## Opportunities To Develop Are Sought After At All Levels

Career development opportunities are a huge expectation of Indian workers, clearly emerging as the number one request for employees at all levels of engagement. Offering challenging work would build engagement with the 'newlyweds & hamsters' segment, and also help sustain the engagement level of those who are already fully engaged.

| | Fully engaged | Almost engaged | Newlyweds & hamsters | Crash & burn | Disengaged | Grand total |
|---|---|---|---|---|---|---|
| Career development opportunities and training | 26.25% | 27.45% | 28.67 | 32.06% | 31.13% | 30.03% |
| More challenging work | 15.63% | 18.82% | 20.33% | 16.98% | 24.75% | 20.09% |
| More opportunities to do what I do best | 20.31% | 19.22% | 18.00% | 19.18% | 19.61% | 19.33% |
| Greater clarity about my own work preferences and career goals | 10.31% | 12.94% | 11.67% | 11.57% | 9.19% | 10.74% |
| Greater clarity about what the organisation needs me to do – and why | 13.13% | 8.63% | 9.67% | 6.88% | 5.27% | 7.71% |
| Improved cooperation among my co-workers | 5.63% | 5.88% | 4.00% | 4.69% | 3.55% | 4.47% |
| More say in how my work gets done | 5.00% | 3.14% | 3.67% | 4.10% | 4.04% | 4.04% |
| A better relationship with my manager | 3.75% | 3.92% | 4.00% | 4.54% | 2.45% | 3.58% |
| Grand Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

## Would You Remain With Your Employer Through 2008?

When asked, "Assuming you have a choice, do you plan to remain with your organisation through the 2008 year?", the Indian working population was found to be more engaged than the global workforce. The proportion of Indian workers saying they would "probably stay" is lower than the global and is tied not to dissatisfaction at work but to more opportunity in a growing economy. An important revelation is that an employee being fully engaged is less of a guarantee of retention in India.

**No Way, Say 4.76% In India**

| | Fully engaged | Almost engaged | Newlyweds & hamsters | Crash & burn | Disengaged | Grand total |
|---|---|---|---|---|---|---|
| No way | 17.81% | 9.02% | 3.00% | 1.02% | 2.08% | 4.76% |
| Probably stay | 49.06% | 49.02% | 29.67% | 28.84% | 16.79% | 29.70% |
| Yes, definitely | 33.13% | 41.96% | 67.33% | 70.13% | 81.13% | 65.54% |
| Figures for Indians (above) and for non-Indians (global figures, without India) below | | | | | | |
| No way | 21.89% | 11.71% | 5.57% | 3.33% | 0.81% | 7.83% |
| Probably | 48.51% | 50.78% | 39.51% | 31.02% | 14.79% | 33.97% |
| Yes, definitely | 29.60% | 37.52% | 54.92% | 65.65% | 84.41% | 58.20% |

## What Influences Employees' Contribution?

In their own words, development opportunities and training influence Indian employees' contribution the most. Notably, relationships with co-workers and managers, while higher than global figures, do not rank the highest on most people's wish list. An important global conclusion drawn is that it is not the quality of relationships that hinders employee engagement, but rather the lack of time invested in clarity and coaching to gain people's engagement.

| | Development opportunities and training | Regular, specific feedback about how I'm doing | Greater clarity about what the organisation needs me to do – and why | Better communication with my manager | More resources | A better relationship with my co-workers | A coach or a mentor other than my manager |
|---|---|---|---|---|---|---|---|
| India | 26.28% | 25.32% | 21.74% | 7.41% | 7.25% | 7.25% | 4.76% |
| Global | 20.35% | 20.34% | 18.54% | 6.77% | 17.78% | 4.81% | 11.41% |

## Finer Nuances Of Factors Influencing Performance

While we find the same three items — development opportunities and training, regular feedback about how I'm doing and greater clarity about what the organisation needs me to do and why — in the top of each segment's list, one can observe a clear shift from "greater clarity" for those low on the satisfaction scale to "regular, specific feedback" for those higher on the satisfaction scale.

| | Disengaged | Crash & burn | Newlyweds & hamsters | Almost engaged | Fully engaged | Grand total |
|---|---|---|---|---|---|---|
| Development opportunities and training | 24.69% | 27.84% | 24.67% | 27.23% | 26.23% | 26.28% |
| Regular, specific feedback about how I'm doing | 14.69% | 15.29% | 21.33% | 29.28% | 30.76% | 25.32% |
| Greater clarity about what the organisation needs me to do – and why | 31.80% | 23.92% | 26.67% | 18.01% | 18.36% | 21.74% |
| Better communication with my manager | 7.50% | 9.02% | 8.00% | 6.30% | 7.60% | 7.41% |
| A better relationship with my co-workers | 9.06% | 7.45% | 5.67% | 8.05% | 6.37% | 7.25% |
| More resources | 5.31% | 9.80% | 6.67% | 6.73% | 7.84% | 7.25% |
| A coach or a mentor other than my manager | 6.88% | 6.67% | 7.00% | 4.39% | 2.82% | 4.76% |
| Grand Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

## SURVEY METHODOLOGY

**Between January and March 2008, BlessingWhite, a global consulting firm based in the US, in partnership with HR Anexi, a leading HR consulting firm based in Mumbai, collected global responses to an online survey. The objective of the study was to analyse worldwide employee engagement trends.**

**BlessingWhite's global survey results in 2004 and 2006 determined that the majority of employees liked their work but were not necessarily focused on what mattered most to the organisation. Last year's findings suggested that, despite a majority (60 per cent) saying they planned to remain with their employers, a disappointing portion of those employees (21 per cent) was truly engaged.**

**This year's survey was designed to revisit and build on the themes of past surveys. The survey wanted to explore:**

- **Will employees stay? Why or why not?**
- **How do they feel about their organisation and their organisation's direction?**
- **How do they feel about their jobs?**
- **What can most improve their satisfaction and performance?**
- **Are their talents being maximised — and focused on what matters the most?**
- **What do they think about their relationship with their manager?**
- **What evidence of employee engagement initiatives do they see at play in their organisations?**

**HR Anexi's Engagement Survey team sent invites to over 4,500 companies across India. The survey link was e-mailed to individuals representing a cross-section of job functions, job titles, and industries.**

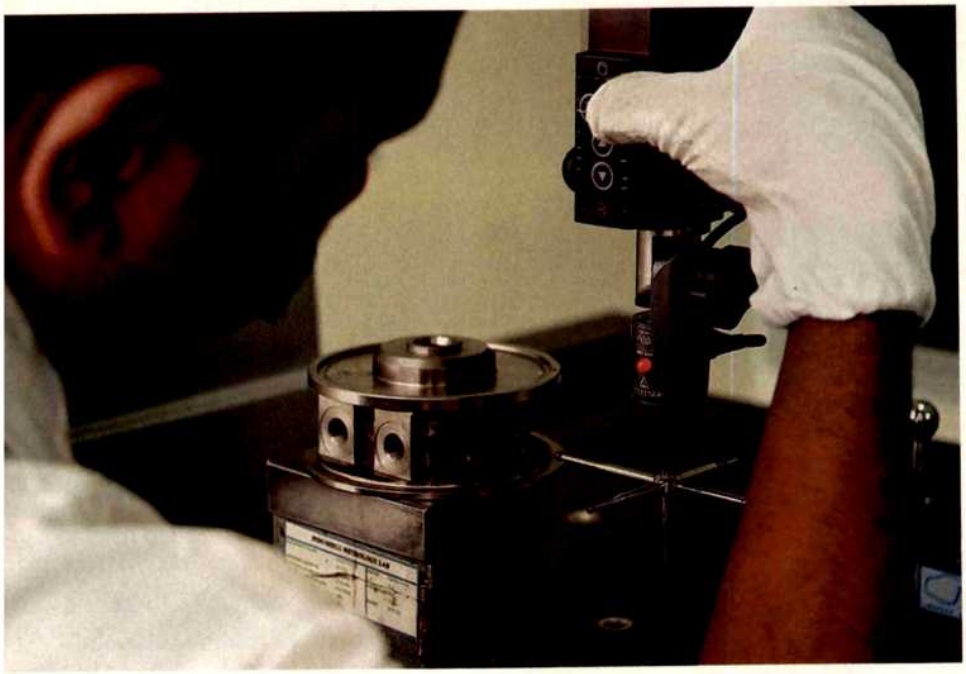
**It was also posted or distributed through professional networking sites and blogs. Globally, the survey was conducted in the English language, but it was also made available in several other languages, such as Thai, Chinese and Japanese.**

**The online survey was designed to be completed in less than 10 minutes and consisted of 19 multiple-choice questions and two optional write-ins. Everyone answered the first 16 items. The remaining items differed based on respondents' answers to question 16, which inquired about plans to stay with their employer through the 2008 year.**

**While the demographic questions were not compulsory, only respondents who provided full demographic details were included in the report.**

**To round off the employee perspective, 40 interviews were conducted with HR and line leaders. The interviews centred on employee engagement challenges and the best practices of organisations and HR departments — as well as the actions that individual leaders take every day to create engaged teams.**

*For the full survey, log on to www.hranexi.com*



CP SHANMUGHAM

# Small Can Be Beautiful

**by Jayant Singh**

**SMEs can retain staff with innovative HR practices**

WHEN BIG BOYS GO ON A RAMPAGE, SMALL BOYS have to think smart. This is the wisdom for India's small and medium enterprises (SMEs) that fail to keep pace with the growth juggernaut. In a Darwinian play of development, growth-hungry large companies are scouring the market for human resources (HR), leaving only crumbs for SMEs who can never outpay the biggies when it comes to salaries. Sometimes the new players also queer the pitch for SMEs when they offer sky-high salaries to push their way into the market.

It's an open secret that staff attrition is growing by the day. A survey on attrition by industry body Associated Chambers of Commerce and Industry of India (Assocham) revealed in December last year that the attrition rate had reached a national average of 40 per cent — up from 32 per cent in 2006. This may raise your eyebrows, but what comes next will open your eyes — the bulk of attrition had shifted from the knowledge-based industry and services sector in the first half of 2007 to SMEs in the latter half. This was because rupee appreciation had hugely eroded SMEs' paying capacity.

Due to cost constraints, SMEs usually have to hire young professionals with little or no work experience and train them on the job. But young professionals are also more prone to job-hopping. "The highest attrition is found among entry-level software engineers who, after spending two years in the industry, assume that they now have enough experience to move across organisations," says Prameela Kalive, global HR head of Pune-based software solutions company Zensar Technologies. For a small company such as Zensar, with approximately Rs 615 crore of revenues, "losing resources presents the challenge of replacing them at short notice from external hiring", says Kalive. Unlike big companies, SMEs cannot afford large bench resources; they have to hire people only when they need them. In such a scenario, Zensar Technologies believes in playing safe. "We identify all our critical positions and resources, and ensure we have back-up resources for them," says Kalive.

### If You Can't Join Them, Beat Them

Since they cannot match the salary, should SMEs grin and bear it? No. Not if they innovate on their HR practices, which some of them are already doing. Realising that the way to an employee's heart may not necessarily be through his pocket, these SMEs are offering the employees what money cannot buy — the right atmosphere, scope for personal growth, lateral movement, and an organisation they can call their own.

At GoAir, a recent entrant in the civil aviation sector, every department has its own unofficial HR manager who undertakes the responsibility of understanding his team's aspirations and helping them best realise their potential. They call it 'GoCulture'. "The simultaneous start and growth of many new operators had created very high demand coupled with very high attrition," says Edgardo Badiali, chief executive officer of the low-cost airline. However, over the past couple of years, the situation at GoAir has stabilised, something the company credits to its streamlined HR processes and a culture where, as Badiali says, " each employee is treated as a valued internal customer".

For One97, a Delhi-based mobile value-

added services (VAS) company, which aims to go public in a couple of years, attrition is not a major challenge right now, but finding the right talent is. "Professionals in our industry have to have functional knowledge of a variety of operations, something that we don't find very easily," says Rajiv Madhok, a director of One97. "So, often, we have people who are good at the technical aspect of the job, but can't handle the sales part." So, the company has built a great degree of flexibility in its staff structure so that an employee can easily move within departments to see if he is more suitable for another task. Indeed, companies are looking at structural flexibility as a great lure for employees. Zensar Technologies, too, gives its employees room for radical role changes. It also rotates them periodically among departments so that they explore new opportunities within the organisation and do not give in to fatigue.

Zensar Technologies is also innovating in training. As it grows globally, it needs people who also wield good soft skills. Instead of hiring such people, it makes its own; under its Industry-Academia Program, the company hires graduates from colleges across the country and trains them. "Today, 30 per cent of our fresh talent comes from this program, and we are looking at increasing that to 60 per cent in the next year," says Kalive.

### Yes, It Works

Sona Koyo Steering Systems, the country's largest manufacturer of steering gears with more than Rs 400 crore of revenues, has proved what innovative HR practices can do to check attrition. The company's HR mantra is to hear straight from the horse's mouth. Besides conducting intensive exit interviews with outgoing employees, they also conduct periodic 'stay interviews' in which they try to learn from their employees the reasons why they are with them and whether they feel any dissatisfaction with their role in the company. Says Surinder Kapur, chairman and managing director of Sona Koyo, "This practice has helped us bring attrition down from more than 20 per cent two years ago to 7-8 per cent now."

Another HR strategy at Sona Koyo is an ambitious 'mentor-mentee' programme in which every young manager is attached with a senior manager in an experiential training programme. Kapur thinks this helps younger managers feel a sense of greater involvement in strategic decision-making.

The LNJ Bhilwara Group is also reaping the benefits of streamlined HR management. Its graphite electrode-making company HEG reports an average attrition rate of 6 per cent as against 10 per cent two years ago. At its textile company RSWM, attrition is down to 8 per cent from 15 per cent in the same period. T. Dev Joshi, group president for HR and OD, attributes the dip to the HR initiatives — identifying the employees whom they just couldn't afford to lose, giving career-boosting training to the staff, and mapping the staff performance by a scorecard.

### Growth Over Money

In these attrition-weary times, the biggest challenge for an SME is to tell its employee that the company is committed to fast growth, and make it sound convincing.

Pantaloon Retail is a case in point. It rose meteorically from being a mid-sized company till as late a 2006 to become the country's biggest retail player today. Sanjay Jog, chief people officer for the Future Group, the parent company of Pantaloon, says that people are willing to stay on only when they believe that the company would grow fast. This, according to him, is the biggest factor that has worked in Pantaloon's favour. "It is important to look at your people holistically," he says. While addressing individual problems is important, understanding the group dynamics of the workforce is also crucial.

Being small is no handicap: that's the lesson from Pantaloon and other such companies that have fought attrition. But being merely small is not enough; SMEs will also have to be smart in their race for talent against the biggies. Because if you can't overpower them, you can always outsmart them.

*jayant.singh2@abp.in*

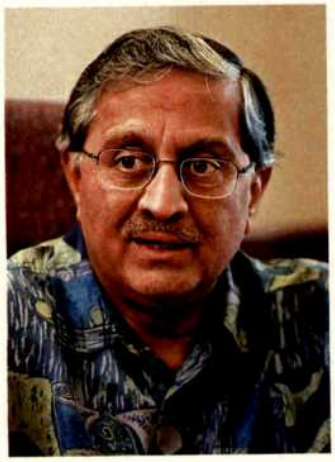
## Innovating To Survive

What small companies are doing to combat HR challenges to growth.

- **Identifying the core talent of the company and providing the right incentives to retain them.**
- **Providing intensive academic and career opportunities for overall development of the workforce.**
- **Having a flexible organisational structure to allow for mobility between departments.**
- **Attaching junior executives to senior managers in personal mentorship programmes.**
- **Identifying critical positions and resources and ensuring the company has back-up resources for them.**
- **Having unofficial HR managers in each department to assess and guide the employees.**

# I Wonder... I Wonder...

**by r. gopalakrishnan**



FORTY YEARS AGO, THE MAIN JOB OF A manager was to manage people. Man management was the touchstone on which future leaders were developed. The world was hierarchical — subordinates obeyed their bosses and students called their teachers 'sir'. And then the US led a change, almost suddenly. In 1964, Vietnam-weary students rebelled against the establishment. The breakdown of hierarchy was well apace. The world today is much less hierarchical. The times are, relatively speaking, topsy-turvy — very often we see that HR managers have poor human relations, behavioural science professors make for poor team players, and management teachers make inadequate managers. During this transformation, the recruitment market has changed from a buyer's to a seller's market.

**Place human resources on line managers' agendas by putting it back where it belongs**

**I wonder...** are we short of talent or talent managers? I think our bigger problem is line managers do not know how to manage talent!

**I wonder...** is the talent shortage one of quantity or quality? India's output of 100,000 MBAs from 1,700 business schools accounts for 20 per cent of the world's output of MBAs. It must be more an issue of quality!

**I wonder...** what has changed that there is a talent quality crunch? Are poor minds entering the management market, or has the quality expectation of the recruiters suddenly gone up? It is the latter. After all, competition is fierce and growth is dizzy. However, the situation is exacerbated by the fact that we have an education system which is not training people in contemporary ways. But the real killer is attrition.

**I wonder...** could corporate leaders not foresee this development? Of course, they could. After all, they study markets and customers, and recruitment is a market! However, leaders did not get involved and they left the solution to their 'purchase department' i.e. HR.

**I wonder...** what was HR's response to this market development? HR increased internal training programmes and produced managers better than before. There is evidence: the galloping sale of management books and the expansion of corporate education and the increasing success of Indian managers abroad.

**I wonder...** why did this not solve the problem? It did not because every company did not do these things equally well. People trained by efficient companies became attractive for poaching by others.

**I wonder...** what did companies do to reduce attrition? Well, they paid more. And the price spiral began.

**I wonder...** why does attrition happen at all? Do people always leave for more money? Surprise, surprise! Research shows that about two-third of people leave because they are unhappy with their boss or workplace, not because of money (as early as 1999, Marcus Buckingham and Curt Coffman of Gallup published the findings). It is facile to argue, "young people are not like we used to be". Weren't we different youngsters compared with our parents? So, the bottom line is that the managers join companies but leave their bosses.

**I wonder...** do line bosses know all this? Well, they don't behave as though they do. And any way, line managers think that it is the HR department's responsibility to reduce attrition.

**I wonder...** why did HR people not assert themselves? Because line managers did not take HR sufficiently seriously. Further, HR people were themselves quitting their jobs. The attrition rate within HR is among the highest in any company.

**I wonder...** where does the solution lie? Like all complex questions, the answer is simple — but very difficult to implement:

- Place HR on line managers' agendas by putting it back where it belongs. Make sure the line people understand once again that their main job is to manage people.
- While evaluating line people, make their departmental attrition a measure of their performance. Managers who consistently lose subordinates at a rate higher than the market average must be helped to look within themselves for solutions.
- HR can help managers rediscover how to manage. Managers in this Blackberry age need guidance to re-connect with people and to restore the human moment. Apart from managing glamourous things like money, materials, machines and markets, people matter.

Because business is about people and nobody can be a great business leader without being a great people manager.

---

The writer, executive director of Tata Sons, has authored *The Case of the Bonsai Manager*

dial-a-battery 365 Days 24 Hrs

Available at your nearest BASE Terminal - India's largest chain of battery showrooms

Branches:

NORTH - Delhi : 011-39998000 (25 Lines) Chandigarh : 98145 365 24 Punjab : 98148 365 24 Jammu : 9419263069 Jaipur : 98280 365 24 Ghaziabad : Ph: 0120 - 3251548 Uttrakhand : Dehradun Ph: 0135-6541010 Gurgaon : Ph: 0124 - 2210839 CENTRAL - Indore : 98930 365 24 Nagpur: 98227 365 24 SOUTH - Bangalore : 98440 365 24 Chennai : 98401 365 24 Secunderabad : 98490 365 24 Palakkad : 98473 365 24 EAST - Kolkata : 94330 365 24 Jamshedpur : 98350 365 24 Bhubaneshwar : 92383 365 24 WEST - Mumbai : 98206 365 24 Pune : 98231 365 24 Ahmedabad : 98250 365 24

For all India distributor / dlrs inquiries pls call : Mr Bansal +91 98719 95545

base media

# Culture Shock

**by Dhanya Krishnakumar**

**Acquirers of foreign companies must bridge the people gap**

DURING THE EARLY PART OF THIS YEAR AND throughout last year, India Inc. has been out and about with its shopping cart, acquiring companies within and beyond the nation's borders. Cross-border transactions were the dominant theme in 2007. Such deals, including both Indian companies acquiring abroad and multinationals acquiring equity stakes in Indian companies, accounted for 94 per cent of M&As by deal value in 2007, as against just about 55 per cent of the total in 2005. Domestic M&As, which involve Indian companies acquiring other local companies, declined in terms of transaction value. But even as the shopping cart grew more powerful and looked prettier, there were other little niggling issues that began to rear their ugly heads.

Numerous studies confirm the need for firms to systematically address a variety of human resource issues and activities in their merger and acquisition activities. Some of the biggest obstacles cited by one and all include cultural challenges, anxiety resulting from what the change could mean for existing employees in terms of their career growth, and aligning of processes, systems and value beliefs of both the buying and acquired entities.

"Inorganic growth as a part of overall growth strategy is new to Indian companies and, hence, there is no institutional knowledge they can fall back upon to figure out how they should go about dealing with the different facets of acquisitions," says Sunit Sinha, principal and business leader for global M&A consulting at Mer-

cer Human Resource Consulting. "It is easy to figure out the financials of a company but integration including retaining employees and keeping them happy is a huge challenge."

## Global Perception

Another issue Indian companies face is global perception of India and its companies. For instance, those who are in the IT industry will know Infosys, but for others it's merely another company from an emerging economy called India. So, Indian companies are forced to go to new markets and resell their brands even to those companies that they have already acquired.

Says Amitabh Chaudhry, CEO and managing director of Infosys BPO, which gained 1,400 employees post it's acquisition of Royal Philips Electronics NV's three BPO centres, "The biggest challenge we faced was going into a country where they had not heard of Infosys. The people didn't know what Infosys stood for, what it had managed to create in India and, more importantly, what plans it had for them." In such a context, the anxiety levels are much higher and it requires constant and repeated communication interventions over a long period of time to convince the employees of the acquired entity.

Companies such as Infosys need to familiarise acquired employees with their company, their value systems, their processes and their intentions for growth going forward. Chaudhry stresses the need for absolute transparency and credibility in the communications undertaken. "If you over-promise and under-deliver, you lose credibility amongst the employees and that could ruin your long-term prospects," he says. "Also ensure that the right people are chosen to engage with the new employees of the acquired entity. Some people unwittingly tend to send out wrong signals."

## Familiarising Brands

The Tata Group, which was amongst the first Indian business houses to enter into the M&A space, has been consistently shopping for companies in the global market. "One of the main challenges when we look at the many acquisitions including the one of Daewoo, was familiarisation with the Tata Group," says Satish Pradhan, executive vice-president for group HR at Tata Sons. He says that by launching a campaign, Tata companies made themselves attractive not just to the decision makers, but also to the managers, to the staff, and to the communities involved in the companies acquired. For instance, in the case of steel major Corus, the key was getting Corus's employees to begin to think that Tata Steel has a global steel business, and that a huge investment has taken place underneath the surface.

The other challenge is that deal making is not as much in the DNA of Indian companies as it is for firms in the US and Europe. "In corporations abroad, we tend to see full fledged M&A teams whose year-round job is to look at various aspects of prospective deals," says Mercer's Sinha. "And it includes people from every department such as finance, HR and strategy who figure out and finalise templates of how to go in as and when required. But in India there is no such strategy."

## Cultural Challenge

Each acquisition, of course, comes with its own unique set of challenges, as Wipro, which has completed the acquisition of about 12-13 companies, has learnt. "The first challenge is the oft-repeated cultural challenge," says Pratik Kumar, executive vice-president for human resources at Wipro Limited. "Another major issue is ensuring that critical talent continues despite the external changes." That has everything to do with how people perceive the buyer and its intentions for the acquired company. Buyer companies need to ensure that the top management and other key functionaries of acquired companies are convinced of its plans and are willing to invest in future growth and stay on to ensure it happens. "That sends across a strong message to other employees, which helps them gain confidence and trust in the positive impact of the change taking place," says Kumar.

The work culture at both ends of the spectrum is another issue. For instance, traditionally Indian companies have had a higher level of tolerance for ambiguity, whereas their counterparts in North America and Europe are used to well-structured systems with lots of transparency and clarity. Indian companies tend to adopt the "we-will-take-it-as-it-comes" stance, which does not go down too well with those being acquired, further causing cultural disturbances.

**FORGING TIES :** Success of Tata Group's Daewoo venture in South Korea was partly due to its campaign to familiarise staff with the company's values.

**TOUGH TASK:** Indian corporates often face cultural challenges due to different work cultures at both ends

"Some of the many challenges we have encountered include having a thorough understanding of the target entity prior to closing the transaction, so there are no surprises after the ink is dry on the deal," says Rajeev Dubey, president of HR & corporate services and member of the group management board at auto major Mahindra & Mahindra. It is extremely essential to develop a detailed action plan that ensures maximum potential to effectively integrate, operate and grow the acquired company. "The Mahindra experience has been that the amount, and level, of integration has been totally dictated by the business imperatives of the acquisition," says Dubey. "We also insist on a clearly defined review mechanism, which is rigorously implemented, and have processes built in for learning and course correction at all important stages."

## Inefficient HR

"There might also be a large number of deals in which the acquired company itself does not have sophisticated HR practices in place, lending greater complexity to the acquirer when he tries to bring in best practices," adds Sinha of Mercer Consulting. This, he explains, is especially true when the acquired entities are small with a maximum of 100 employees. At that point companies prefer to take a defensive strategy based on least resistance, by maintaining status quo as far as operations are concerned and simply putting two of their own people on the boards, who ensure the pre-determined objectives are met. Exceptions to this are companies such as Infosys and Wipro, which place a lot of emphasis on HR practices given the very nature of the industry they are associated with.

Sinha gives an example of a Kanpur based company that manufactures bullet proof vests, acquiring a 100-people company in Munich, Germany simply because they produce a special type of alloy that goes in the making of vests. "The labour laws in Germany are different from those in India, and so is the work culture," he says. "But those were not the primary concerns when the acquisition was considered. The deal was part of the advice given by the company's client who felt it could benefit from backward integration."

So, are Indian companies still lacking when it comes to the art of making global deals? "Yes," says Sinha, who suggests that a sort of "flavour-of-the-month" phenomenon is what we are seeing right now amongst Indian corporates who are looking for good buys. Nonetheless, what is important is that employees of an acquired organisation must be made to buy into the acquirer's vision for any acquisition to succeed, particularly a global one marrying absolutely diverse cultures. As Tata Sons' Pradhan puts it, "An intellectually elegant system will never work if you don't have the people flowing in and singing with it."

*dhanya.krishnakumar@abp.in*
With inputs from Piya Singh

# Infusing life into every movement.

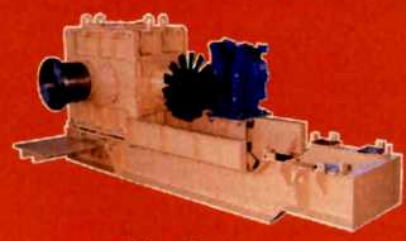
## Elecon - The sunlight to the industrial world.

Elecon, Asia's largest industrial gear manufacturing company has been driving Indian industry since 1951 with cutting edge technology and innovation, continuously challenging itself by upgrading its products to meet the diverse needs of customers - both national and international.

Today, Elecon is the supplier of choice to core sectors like Steel, Cement, Sugar, Chemical, Fertilizer, Plastic and Rubber.

EPEX Series Extruder Gear Box

Windmill Gear Box



Drive System

madadvertising.com/12/08

ELECON

*Always a step ahead in technology*

**LECON ENGINEERING COMPANY LIMITED** Post Box # 6, Vallabh Vidyanagar, 388 120, Gujarat, India.
**ar Division: Tel.:** +91(2692) 236469, 236513, 236516. **Fax:** +91(2692) 236527. **E-mail:** infogear@elecon.com
**HE Division: Tel.:** +91 (2692) 237016, 236521, 236590. **Fax:** +91(2692) 236457. **E-mail:** infomhe@elecon.com

**Elecon Africa Pty Ltd.** Tel.: +27-11-4771776, +27-11-4766560. E-mail: gdramsay@mweb.co.za, jnshah@gear.elecon.com
**Elecon Singapore Pte Ltd.** Tel.: +65-62278258, +65-62278425. Fax: +65-62278942. E-mail: keyur@elecon.com, vipul@singapore.elecon.com
**Elecon Middle East Fzco** Tel.: +971-4-3510251, 3510547. Fax: +971-4-3510461. E-mail: rajen@dubai.elecon.com
**Elecon Engg (Suzhou) Ltd.** Mobile: 00-86-13915402300. E-mail: keyur@elecon.com, bboza@china.elecon.com

**EMTICI ENGINEERING LTD**. Marketing & Servicing Company **Regd. Off:** Vallabh Vidyanagar.
**Branches:** Ahmedabad, Asansol, Bangalore, Bilaspur, Kolkata, Chennai, Dhanbad, Jamshedpur, Mumbai, New Delhi, Nagpur, Secunderabad, Pune & Vadodara. **www.emtici.co.in**

**E-mail: response@elecon.com**

For orders, order status, delivery schedule, product drawings, product catalogues and technical information visit **www.elecon.com**

*Gears* that run the *Nation*

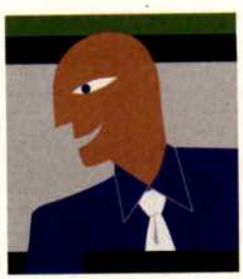
# Minds For The Future

**by subroto bagchi**

HOW RELEVANT WOULD YOU BE AS A PROfessional in 2020? How do you really know that you are building what it takes to succeed in the future? Howard Gardner, leading thinker of our times and teacher at Harvard says, you need to develop "Five Minds for the Future" in a book with the same title. He should know because he has been working on how the mind works, its complexity, the concept of intelligence and the multiplicity of intelligence for many decades now. I believe his work will impact organisations of the future the same say Juran and Deming impacted the manufacturing economy with their understanding and framework for Total Quality Management. I also believe that Gardner has special relevance to India because India's doom and deliverance can both be triggered by its large population. The Indian educational system and the way organisations look at human resource development, fall far short of what it would take to create the professional of the future. According to Gardner, the future would belong to those who develop five minds: the mind of discipline, synthesis, creativity, respectfulness and ethics. Let me explain what he means by each of these.

**A true professional must be able to deliver products and services that are complete in all respects**

First and foremost, the professional of the future must master a basic discipline. Those who do not solidly stand for one would have to take instructions from others. They are very unlikely to lead others. Empirically speaking, mastering any discipline takes ten years. This is a sobering fact for a country that churns out doctors and engineers and plumbers like a factory and individuals believe that a professional qualification is all you need to become a professional. A decade of dedicated practice in a discipline alone makes someone a complete professional and there is no short cut to it.



While the future would need us to build the mind of discipline, the fact is that all complex problems, in whatever field we can think of, would necessarily require multi-disciplinary approaches to resolve. My favorite role play is one in which I ask groups to imagine that a hijacked airliner is going to land in 30 minutes and participants must have a game plan to handle the situation immediately. It takes no time at all for people to realise that from something as dramatic as a plane hijack to more routine organisational issues — from a heart surgery in a hospital, cracking a crime or a design of a new product — each one requires a multidisciplinary view of things. That is where, in addition to mastering a core discipline, one has to develop the mind of synthesis. Major decisions would require inter-disciplinary thinking and great synthesizing capability.

The third mind for the future is the creative mind. Experiments done by Gardner and others indicate that all human beings are creative as children, the capacity peaks in five-year-olds and in most of these children, wanes by the time they are in their 20s. For example, give a five-year-old a pencil. Moments later, the child converts it into an imaginary airplane and can fly it for hours. This capacity to see one thing and conceptualise it as something it is not, is what visionary leadership and breakthrough innovation is all about. Where the world sees a computer, Steve Jobs sees an iPod. Where telecom companies saw switches and instruments, John Chambers simply saw software and the Net.

The fourth of the five minds is the respectful mind. It is amazing we do not know enough about this one professional characteristic — our engineering and MBA curriculum do not talk about it. How basic does it get? A little while ago, we saw that the professional of the future would need to master a given discipline and at the same time, all complex problems and their solutions are inter-disciplinary in nature. That means solutions would need many experts to come together and collaborate. Now that is the precise point. Bring in five experts from five fields and you will get differing views and as they argue and fall apart, the world moves on. Hence, true professionals must learn how to develop a respectful mind so that other experts collaborate with them.

Finally, Gardener talks about developing the ethical mind. For a professional worth the name, ethics is finally about the capability to self-certify the completeness of a given assignment. In a post-colonial culture in India, we only work under supervision. That cannot any longer be the case; a true professional must be able to deliver products and services that are complete in all respects without the need for scrutiny and oversight.

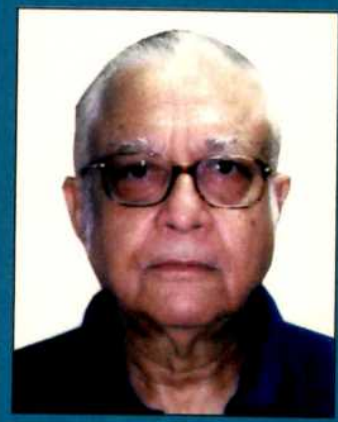
---

The author is the co-founder of MindTree where he currently works as Gardener

# Learn from experience

## The goal of experiential learning is to teach individuals to learn faster, and help them understand themselves and others better

We all learn from experience. Starting at a very early age, trial and error shape our choices. What is new is the development of a set of pedagogical and practical methods that harness the concept of learning through a set artificially created experiences. This approach is called experiential learning, and like all other scientific methodologies, it is based on various assumptions.



*Gouranga Chattopadhyay*, Chief Executive Officer, Chattopadhyay Associates

The goal of such training is simple. To teach individuals to learn faster, and help them understand themselves and others better, so they can function better in their teams, families and society.

The earliest experiential learning methodology in India focused on the individual, as can be garnered from some of the texts of the major *Upanishads* as well as from some stories in the *Mahabharata*. While experiential learning seemed to have vanished from this sub-continent later, a form of it was developed in the USA, and labelled as Sensitivity Training or T-Group (and simultaneously in India by a US citizen named Rolf Lynton based in Hyderabad, who named it the Aloka Experiment). The common feature in all forms of experiential learning is simultaneously using one's intellectual understanding and feelings as data to make sense of experiences. I use the words "to make sense of experiences" to highlight the reality that we all interpret the same experiences differently, based on our past.

For example, when one experiences pleasure at looking at the full moon, one is interpreting a sight that one is taking in through the eyes by using the words full and moon, both of which can mean different things to different people, based on their past. The idea of the full moon can also be held in different symbolic value by individuals, depending on their views, culture and ideology. To some, it may seem romantic; to others, it might evoke something occult. This understanding is essential to the success with which a manager can engage with groups and different individuals. Since the lesson is taught viscerally, not intellectually, it is never forgotten.

The other feature common to T-Groups and Aloka is a focus on interpersonal relationships. A host of experiential learning techniques are given the generic name Encounter Groups. Most of these deal with interpersonal relationships and experiencing the self as a whole. This helps overcome the tendency to become trapped into seeing the body and the mind as separate or sub-identities, and believing in sayings such as "mind over matter".

There are also many kinds of experiential learning-based workshops that focus on different aspects of one's work life. One of the latest popular experiential settings is known as Outward Bound Learning. This programme involves throwing the participants into physically demanding outdoor exercises, such as white-water rafting over stretches of mountain rivers, rappelling under strict supervision, trekking with maps that need to be interpreted and so on. At the end of each such activity, the consultant or trainer assists participants in introspecting on their experiences and consolidating their learnings from them.

Such programmes focus on exploring and understanding the unconscious behaviour of individuals and groups.

Lastly, there is the experiential learning technique called Group Relations Conference (GRC) or Working Conference, developed by The Tavistock Institute of Human Relations in London. This technique is based on the understanding of unconscious individual and group behaviour through various theories of psychoanalysis and their applications. The only Asian country where GRCs are offered is India. The writer directed the first Indian GRC from the Indian Institute of Management, Calcutta in 1973 and the series continued there until his retirement.

Numerous business houses and NGOs started sponsoring GRCs in the 1980s. The first International GRC was sponsored by *BW* in 2005.

The design of the GRC has changed over the years. For example, the writer introduced Yoga as an event in Indian GRCs some years ago, and this year it was included at the GRC held by the Tavistock Institute of Human Relations.

In GRCs, the participants accept their learning on their own authority. As a result, they can successfully access their learning in various situations and apply it for problem solving and enhancing the quality of work and life. Its impact on their professional competence and development as team players cannot be over estimated. ■

# Doing Is Believing

**by sumati nagrath**

**Leadership can not be taught but it can be learnt, feel analysts**

CLIMBING RUGGED MOUNTAINS, RAFTING THROugh tough rapids, trekking through unknown terrain and gliding through turbulent wind are no longer just oft-used metaphors to describe life in the corporate world. These physically challenging activities are today integral to several organisational training programmes that use experiential learning (EL) methods.

While all these activities are stimulating, adventurous and fun, they are essentially used to draw attention to inter-personal dynamics as well as personal attitudes and behaviours that have a direct bearing on workplace relationships, explains Joseph Paulson, director of Mumbai-based human resources consulting firm HR Anexi.

But EL is not just about sports and outdoor activities. There is a whole range of exercises that use EL, explains Zahid Gangjee, CEO of Kolkata-based Zahid Gangjee & Associates, an HR consultancy firm. Creating a task force comprising a group of people brought together to solve a given problem is one, while creating simulated situations (putting people in pairs to resolve a conflict) to understand issues such as conflict management is another.

"Experiential learning is a widely used training methodology," says Rahul Mudgal, leader at Mercer College, the training division of Mercer Consulting, an HR firm. According to Gangjee, once a person reaches adulthood, experiential learning becomes the most powerful way of learning.

How so? According to Mudgal, studies have shown that participants retain only 5 per cent information learnt through lecture, 10 per cent through reading and 30 per cent through demonstration. But they can retain up to 75 per cent information learnt through doing. And that's what EL does. Here, the traditional instructive training method is replaced by one based on situations or experiences. "If you want people to effectively retain the knowledge gained, experiential learning is perhaps the best method," says Mudgal.

This learning-by-doing gets even more pronounced as a person grows older and becomes a 'voluntary learner'. Therefore, says Paulson, the practice of experiential learning has tended to veer towards the use of more learner-centred and outdoor techniques.

One of the most sought after classes at Harvard University's Kennedy School of Government is the one on leadership taught by Dean Williams, a lecturer in public policy. Outrageous statements are used to provoke students — of different ages, race, gender, sexuality and class — into reacting from their gut rather than their conditioned intellect. Academic debates give way to more 'basic' reactions such as breaking down and loss of temper, which reveal the subtle prejudices and biases that govern group dynamics. These exaggerated situations help students become aware of their deep-rooted and hidden biases, which they then have to learn to address.

Most HR managers acknowledge the effectiveness of these intense, challenging and highly interactive training sessions that take place outside neon-lit and often sterile conference rooms.

"A little while ago, we had an almost entirely new team in our Engine and Industrial Business unit and we wanted that team to drive effective change in the organisation," says Aniruddha Khekale, deputy general manager of human resources at Tata

ABP

**RIDING THE WAVES:** Adventure activities are an important ingredient of experiential learning

Cummins, the Jamshedpur-based engineering company of the Tata Group. About five months ago, the unit's entire leadership team underwent a three-day training programme that was part workshops, part outbound activities and part deep reflective sessions. "The training had a very high impact on the participants," says Khekale. "I have seen the results filter back into the workplace." The reason for this, he feels, is that the training focused on self exploration and self realisation and had an impact on people's very core.

These results are not surprising for Paulson. He says such training programmes have been so successful that several IT and ITeS companies in Bangalore have made it mandatory for their employees to undergo at least one three-day EL training module.

**Adapting To The Times**

"Experiential learning has been an accepted methodology in India since the early 1970s," says Gangjee, "although it was applied only in small measure and in select organisations." The reason why it has gained so much popularity in India recently is two-fold, he explains. Firstly, a mushrooming of management institutes and online training programmes has meant that employees are entering organisations already equipped with technical skills, the imparting of which used to be the forte of traditional training programmes. Secondly, today increased employment options have led to a dramatic shift in work cultures, with employers recognising that they have to be people-oriented and influence behaviours if they want to be successful. As a result they are putting in place training programmes that help individual employees not only achieve self-realisation but also enable them to effectively work in teams.

"The degree to which EL is built into a programme is also a variable of the nature of training," says Mudgal. "While EL is crucial for behavioural training, the application is limited if the training dimension is skill-based or technical in nature." EL-based training is generally used to create team synergy, build trust, impart conflict-management techniques, and develop team working and team development skills. But, it is most useful when it comes to leadership training.

Gangjee, in fact, finds that when it comes to improving the way leaders manage themselves and those under them, nothing else works except experiential learning. "By the time people reach that level they in a way already know it all, and what EL allows is for them to be able to draw on that very knowledge to improve themselves." But he cautions that this kind of learning can be very painful. "EL makes you see that you are not as good as you thought you were — a realization that can at times be traumatic."

## What is Experiential Learning?

- **Experiential learning-based training is more learner centred and uses outdoor techniques**
- **Physically challenging activities, such as rock climbing, rafting and gliding, are used to help participants learn about team dynamics and interpersonal relationships**
- **Participants are provoked and deliberately placed in simulated situations that generate extreme reactions, leading to realisations about their subtle prejudices and biases**
- **It is a powerful technique to help senior managers learn about conflict management, decision making and leadership**

While EL provides the base, it is role playing that is a highly effective tool for senior managers. "In fact, leadership training is incomplete without it," says Mudgal. "Role play demonstrates not just what effective leadership behaviour should be, but can also be used to highlight what not to do." He adds that "while leadership is not something that can be taught, it can be learnt".

Another application of EL is the group relations conference (GRC), which originated at the Tavistock Institute of Human Relations, London. The GRC goes beyond merely the interpersonal, says Gouranga Chattopadhyay, CEO of Kolkata-based Chattopadhyay Associates, an organisational consultancy. (Gouranga Chattopadhyay is a consultant to the GRCs organised by ABP, the parent company of *BW*). Here the effort is to allow participants to explore their unconscious (for example their latent and unacknowledged attitudes about sexual attraction in the workplace). Says Chattopadhyay, "We seldom, if ever, experience our experiences. We simply interpret our experiences on the basis of past knowledge." In a GRC, even the facilitator is done away with. A hypothesis is put forth and participants are left to debate, reflect and process their internal data.

"No one knows us better than ourselves," says Gangjee. "Therefore the best programmes are those that create situations which allow people to learn from their own experiences and realizations." Trainer-centred traditional training methods work only to a limited extent, says HR Anexi's Paulson. It is only experiential learning-based training that can help today's manager overcome the challenges of personal as well as organisational growth and development.

*sumati.nagrath@abp.in*

# Infinite Possibilities...

## ... through Affordable Productivity

Productivity is defined by the maximum output for a given input of resources. For a Small to Medium-sized Business (SMB), high productivity is crucial for achieving your business success. This is why many SMBs are turning to Multifunction Printers (MFPs) to provide them with the productivity they need. MFPs make good business sense - they combine the functionality of up to five separate devices into a single, effective device that costs less. But with so many MFP options in the market, what sets one model apart from another?

### HP MFPs: Productivity Embodied

Introducing the new HP LaserJet M1120n and M1522 MFP series. Bearing class-leading technologies that were once only available in high-end enterprise devices, they promise to deliver the productivity boosting performance that your SMB needs at prices that offer excellent value for their powerful capabilities.

### Your 5 Star Assurance

Take advantage of HP's limitless innovation available in the new HP LaserJet M1120n and M1522 MFP series!
Combining legendary HP LaserJet printing performance, quality and reliability with class-leading scanning, copying and faxing ^ features in an affordable package, the HP LaserJet M1120n and M1552 MFP series embody all the values of a high productivity tool for a SMB. With their productivity-boosting, cost-saving features, they bear HP's "5-star" assurance of delivering **innovation, productivity, quality, a best user experience and reliability**.

*^ Fax on select models only*

#### Innovation and Productivity

- HP Instant On - HP's Instant On technology helps boosts productivity by delivering the first page in as little as 8.5 seconds from PowerSave mode. For small print jobs of three to five pages, this enables a Time to Completion (TTC) rate that is nearly three times as fast from PowerSave (standby) mode than devices without it and saves up to an amazing 50% in power costs.
- HP Instant-On Copy - HP's Instant-On Copy increases productivity by letting users begin their scans and copying jobs almost immediately. This drastically reduces scanning or copying time, unlike conventional scanners that have fluorescent tubes which require a warm up time.

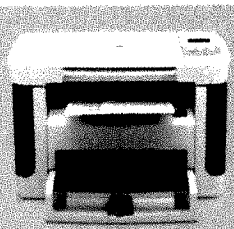
- Integrated Networking - Share the functions and power of the HP LaserJet MFPs and boost productivity with their integrated networking capability.

**Easy Does Everything**

- Easily manage HP LaserJet MFPs with an intuitive control panel that allows users to follow simple instructions and troubleshoot any issues without having to seek IT help.
- HP Smart Printing Technology and Easy Printer Care - With HP's Smart Printing Technology, the toner print cartridges have smart chips that are designed to work with the MFP to automatically optimize print quality. HP Easy Printer Care software lets users know how much each MFP has printed, how many remaining pages it can print using its cartridge.
- Universal Print Driver - Eliminate time-wasting, troublesome issues of lost drivers or finding the right driver for your MFPs! Save time configuring new computers to use HP LaserJet MFPs with HP's Universal Print Driver, which is a single, common software driver for all HP LaserJet printing devices. The universal print driver can be easily downloaded from www.hp.com
- Web JetAdmin - The award winning HP Web Jetadmin is an easy-to-use web-based software tool for remotely configuring, monitoring, troubleshooting and managing HP LaserJet printing devices. For a free download visit www.hp.com today.

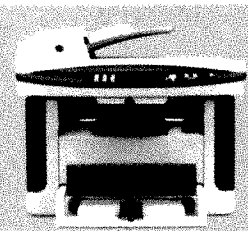
**Quality and Reliability**

- M1120n and M1552 MFPs are built on legendary HP LaserJet technology. So you can be assured of industry-leading performance, quality and reliability.
- HP Spherical Monochrome Toner - This patented toner consists of consistently-sized, round toner particles that are composed of a wax core for even melting during the printing process. These increase the precision of toner placement to deliver bold, crisp text and sharper images. In addition, they take 15% less power to melt, saving on power consumption.
- HP printing devices have won PC Magazine Readers' Choice Award for service and reliability for 16 straight years.
- It is also comforting to know that HP LaserJet MFPs are backed by HP's award-winning customer service and support, giving you assurance of rapid and hassle-free resolution of any issues that may arise.



**HP LaserJet M1120n MFP**

- HP's Most affordable network ready mono LaserJet MFP
- Increase productivity with fast print and copy speeds up to 20ppm, and scan speeds up to 12ppm
- Enjoy quick printing with priority jobs or special media with 10 sheet priority input tray and 250-sheet multipurpose input tray
- Powerful 230 MHz processor and 32 MB device memory



**HP LaserJet M1522 MFP**

- HP's Most affordable network ready LaserJet MFP with fax
- Increase productivity with fast print and copy speeds of up to 24ppm
- Enjoy enhanced fax capabilities with fax speeds of up to 33.6 kbps, secure private receive fax feature and convenient Fax/Tel that automatically distinguishes between voice or fax calls
- PC Fax - send faxes directly from you PC
- Quickly process multiple documents with the 50-sheet ADF, 125-sheet output bin
- Powerful 450 MHz processor and 64 MB device memory

**Affordable Productivity**

Priced from only INR 17,899 the new HP LaserJet M1120n and M1522 MFP series give you the most advanced, productivity-boosting technologies and features in the most affordable HP LaserJet MFPs that you can rely on to help your business achieve infinite possibilities.

*For more details SMS "MFP" to 57575 or call 1800 4254 999 (Toll Free from BSNL/MTNL lines) or 3030 44 99 (from mobile - prefix your STD code)*

## HP Boost Your Business Productivity Contest

Now you can bring the innovation and reliability of HP's multi-function devices to your business for free!
Take part in HP's Boost your Business Productivity Contest and you can win a HP MFP as part of a special productivity package.
All you have to do is log on to www.hp.com/in/multifunction/new and simply write to HP in up to 500 words your experiences in dealing with multiple devices for faxing, scanning, copying and printing and how you feel an HP LaserJet MFP will help the situation in maximizing your productivity.
Every fortnight, one lucky winner will receive an HP LaserJet MFP with a 3 year warranty, 1 year free toner supplies and installation and on-site support for one year - a Business Productivity Package that is designed to give your business a boost!
**Hurry! Contest ends 30th June, 2008.**

Advertisement

WHAT DO YOU HAVE TO SAY?

hp®

# Retaining Know-how

**by Janhavi Abhyankar**

**Companies find the answer to attrition in managing knowledge**

*THE AMERICAN JOURNALISM REVIEW* ONCE LIKENED attrition to haemorrhage. While companies have to accept that it is not possible to stop people from shifting jobs, they are learning to bleed without hurting. Organisations are tapping, consolidating and preserving the knowledge that employees bring and add during their tenure. It is a trend called knowledge management (KM) and is fast catching on with the human resources (HR) managers.

"The know-how that any person has, goes away when the person leaves," says R. Narasimhan, director of Chennai-based B-school SMOT, and former chief knowledge officer (CKO) of HCL. "Knowledge management undoes this and helps retain the know-how in the form of a database, which remains forever. KM is, thus, a wonderful tool for any company."

Take, for example, the case of Ganesh Prasad, principal associate of Mumbai-based law firm Amarchand Mangaldas. With seven years of nurtured skills and quality experience, his firm would, naturally, loathe losing Prasad. He is not going anywhere yet, but to learn from him, Amarchand Mangaldas has in place a new system — a dedicated knowledge management team, with technical support from Tata Consultancy Services (TCS). The knowledge manager and his associates work to collate data on new developments, from third-party sources, and employees' skills. These managers glean knowledge from individual employees through interviews, training sessions and project reports. At every stage, an employee is not only expected to work but keep adding his new findings to his profile.

"Every week, one person from the KM cell comes personally, asking for work done during the week, and we have to submit a report on the same," says Prasad. The aggregated information is fed into an IT support system for later use. Besides preventing duplication of work, the system also creates a reference bank for the company. Also, the person replacing someone who quits has a ready database to build upon.

"I would define KM as a process that captures the experience on a project that any company undertakes," says Narasimhan. "It helps in

ANTHONY LAWRENCE

maintaining continuity in anything that is being undertaken at a firm."

The concept of KM has been around for over two decades in European and Scandinavian companies, which first identified the perils of losing knowledge within the system. But even as Indian companies wake up to the need for a knowledge-based system, most are mistaking KM to be merely an information technology (IT) offshoot. "There is a clear disconnect between what knowledge management means, and what the companies have understood it as," says Ansh Tripathi, CKO at KPMG.

KM, as it is commonly understood, implies a pool of knowledge created by an employee who is a part of the system, which remains available to the company should he or she choose to leave. IT simply enables the collection and distribution of this data, via and to, different channels. Many companies end up assigning KM to their IT department, which is not trained to compile and assess data correctly, leading to ineffective management of knowledge.

Indeed, knowledge sharing is a culture. Companies must help employees feel secure by looking at the larger picture: sharing of expertise helps the organisation. Some firms do this the wrong way. "While giving incentives to employees is good, trivialising the process of doing so is a wrong way of looking at it," says Tripathi.

One way to start is with what is called mentoring, in which an individual is asked to champion a particular area of interest, making him the sole source of information in that area for anyone who wants to access and understand it. This builds a sense of responsibility. 'Knowledge repositories' also enable effective record sharing.

For all its benefits, KM is a means, not an end: it facilitates the achievement of organisational objectives. Good KM can work wonders. "Knowledge is an important component of any industry," says Sunil Gulati, CKO at Yes Bank, which uses an internal system called Knowledge Net to upload real-time information on client preferences for computing future markets and products. "We need to ingrain this system into our DNA, as an individual, and as an organisation. Only then will we be able to reap its benefits," says Gulati.

BPO firm WNS uses a Citrix Server to tap and collect all data and information that employees bring to the company on a daily basis. At pharma major Lupin, which has very strong intellectual property (IP), regulatory, and research and development teams, the knowledge system meticulously documents all advances. Other functions are trained to manage the knowledge assets created by the individuals.

"KM provides significant benefits at both the strategic and the operational planes for Infosys," says J.K. Suresh, associate vice-president and principal knowledge manager with the Infosys Technologies. "At the strategic level, it provides the means to develop networks to foster innovation and IP development, which would in turn speed Infosys's prospective great leap forward along the value chain. At the operational level, it provides the means to improve our competitiveness, profitability, efficiency and excellence in execution."

Samsung's knowledge wing in NOIDA comes under its education centre, where all employee training is organised. Besides creating a strong database for the company, it increases interaction between employees and departments.

Investing in greater complexity is Godrej-promoted IT company Capgemini's quirkily named 'k!new', a knowledge-sharing database for all projects, reports and information being produced or procured by the enterprise globally. It can be accessed by all Capgemini employees, wherever they are. The workspace on the network is categorised into community spaces, with further sub-division of geographical entities. Each country office must feed system sub-folders that add up to regional clusters before becoming a part of the comprehensive main database.

Every employee feeds all new information at the individual level. For instance, if a team is working on a project to update a telecom company's billing system, the project manager assigns roles based on individual skill sets. During the course of the project, each member prepares a self-evaluation sheet, which is also used by the manager to assess performance. The knowledge bank now holds the minutest details of any person. Employees are given a free hand to research, all information pertaining to which is also collected. The entire data is updated at the bureau, national and almost real-time global levels several hundred times.

"This [operational efficiency through KM] is achieved through better re-use, effective collaboration, greater reduction of the reinvention of the wheel, and an enhanced ability for deployment and management of our intellectual property," says Infosys' Suresh.

Such a complex system, which takes hours of work on the part of every individual, makes vital, specific information available to a colleague halfway across the globe at the click of a button. "Who looks inside," said influential Swiss thinker and founder of analytical psychology, Carl Jung, "awakens."

*janhavi.abhyankar@abp.in*

# Virtually A Reality

**by Meghana Biwalkar**

**Flexi-time policy is becoming a popular style of working**

SUNRISE IS THE LAST THING ON THE MINDS OF PEOple who have to reach office by 9 a.m. The clock is watched by minutes, conversations are exercises in brevity, and chores are executed with the barest of tolerance and time. And the 9-5er's morning tends to be a frantic and manic version of the exhausting and inevitable commute back home in the evenings, or nights.

But for Ryan Menzes, 28, a Mumbai-based media professional, all of this is just a childhood memory. He smiles when he points out that his time is not regimented by his workplace like that of his father's. The option of working at any time, from any place, is available to him. "If I can turn in my deliverables on time, why should anybody have an objection?" he asks. "My company completely supports this thinking."

A flexi-hours policy in particular suits support functions that demand minimal employee interface. Examples include marketing, knowledge management, legislation, intellectual property, editorial inputs and content creation, data management, financial research, HR and audit.

Even so, it is estimated that 98 per cent of companies in India operate conventional offices, leaving only the rest to experiment with flexible locations and hours. "Organisations have to be mature enough to exercise a judicious work-life balance," says E. Balaji, chief executive officer of Ma Foi Consultants, an HR firm. "Also, to implement this (flexi-time work) policy successfully, companies need to provide IT infrastructure that is IP protected, so that corporate information is not leaked out."

Technology drives this change. Instant messaging and video conferencing assign valuable projects to talented people who prefer to work out of their homes. "With the help of technology, our productivity is not affected, as employees can work from home and yet attend to personal needs, for which they would have earlier taken leave," says Tanuj Kapilashrami, head of human resources at HSBC, which started this policy in February 2008.

ANTHONY LAWRENCE

HR managers who favour working from home say it reduces attrition and attracts quality workers. "Working-hours flexibility helps employees maintain good work-life balance," says Toral Patel, senior director with the Accord Group, a talent search agency. "(But) it is the familiarity of physical offices that prevents most companies from accepting the new virtual office format."

## Home Alone

It is the scramble for retaining good talent that makes the future of virtual work look promising. "We want to be the employer of choice and aim at attracting a good talent pool with our flexi-timings and work-from-home programmes," says Kapilashrami.

The real issue, some HR managers feel, is about fighting time and distance. "The aim of our flexi-work policy was to convert commute time into productivity output, and to connect with people in areas where we have no geographical presence," says Robin Lloyd, vice-president and general manager of software solutions company Lionbridge's India office. So

far, 50 Lionbridge employees work under this policy in India.

Globalisation has ushered in 24/7 work schedules that have taken a terrible toll on personal lives. "This is where our work-life programmes help employees meet the demands of their new job, without comprising on their personal life," says Prathima V. Shetty, India diversity lead at IBM India/South Asia. "Also, it helps us monitor the external environment by getting feedback from clients as their needs are attended to by employees almost immediately." IBM established a formal 'eMobility' programme in the early 1990s. By 2003, when figures were drawn, there were more than 40 per cent mobile employees, globally. Across its numerous offices in several countries, the company has on an average seen a 50 per cent increase in employees opting for this programme.

Virtual offices, which are mostly seen as convenient for workers, also help organisations cut costs significantly. "Virtual offices help in reducing certain fixed costs and office space per employee," says Sachin Tikekar, chief of people operations at KPIT Cummins Infosystems, "They also help address business continuity plans as employees are fully equipped to stay connected outside office. Therefore, business is likely to be less affected when an office is disturbed due to natural calamities or other issues."

### The Flip Side

Not everybody agrees that virtual offices are cheaper and more efficient. Investments in IT infrastructure and security, and costs such as phones and broadband connectivity hike budgets even as teamwork is hindered. "Here, companies feel that more time will be invested in coordinating meetings if people are not in office, resulting in loss of time and work," says Accord's Patel. While a conventional office follows routine hours and offers a certain comfort level for workers to gather and remain accessible, virtual offices have neither physical boundaries nor structured timelines.

Moreover, "No matter how productive virtual work is, it can never replace the power of relationships built through togetherness," says Milind Sarwate, chief of HR and strategy at Marico Industries. "Further, virtual offices need extra inputs for bonding and ownership."

Old habits die hard and the hesitancy to train and motivate employees who do not report to the office is still prevalent. "It is important for new employees to understand the ethos of a company, which will help them perform as per the company's expectations," says a senior executive of Godrej Consumer Products, which follows the traditional clock-in and clock-out time schedule. "This can only happen if employees work within the office area."

Some companies simply feel, "There is no requirement to implement it (flexi-time work) as a policy," says Dipendra Chumble, chief people officer at Hexaware Technologies, in Mumbai. "A company can choose as per its requirements, but if this is implemented as an HR policy, there will definitely be a downfall in productivity."

Concepts such as distributed work, remote offices and virtual employees break the traditional belief that the visible employee is the accountable one. "Trust plays an important role in such policies. Quantifiable metrics are needed to measure progress," says Ma Foi's Balaji.

Scaling down conventional work environments does not necessarily result in happier employees, greater productivity and lower costs. Isolation could lead to alienation, which impacts work product negatively. To counter this, "We let managers and team members decide about exercising their work schedules," says Shetty. "No one is assigned anything, unless they want to exercise a particular option." Part-time jobs or job sharing, where employees divide their work on the basis of shifts or assignments, is another methodology.

Companies like HSBC, Lionbridge, Ybrant Technologies and KPIT Cummins, who are relatively new to flexi-time work policies, are looking at ways to address productivity issues. Workshops are one way to do this. "We conduct workshops to help employees understand non-traditional working styles," says HSBC's Kapilashrami. "We inform them of the various methods of job allocation, and explain the benefits and reasons for implementing such policies."

Meanwhile, at least for some professionals, mornings are not the same any more. By opting to work from home, they actually manage to read the newspaper and eat a decent breakfast.

*meghana.biwalkar@abp.in*

## Sit back and work

- **Flexi-hours policy suits support functions that demand minimal employee interface**
- **Instant messaging and video conferencing drives this change easily**
- **HR managers who favour working out of home say it reduces attrition and attracts quality workers**
- **Flexi-work policy helps to convert commute time into productivity output, and to connect with people in areas where companies have no geographical presence**
- **Companies feel virtual offices help in reducing certain fixed costs and office space per employee**

ANTHONY LAWRENCE

# Women At Work

**by Manashwi**

**The primary hurdle in a woman's career is mindset**

THE STEREOTYPE THREAT — THE FEAR OF DOING something that would inadvertently confirm a negative stereotype a person is classified into — was proposed by Claude Steele, professor of psychology at Stanford University, in 1999. Initially, it was used to explain the poor academic performance of Afro-Americans in the US. And later, extended to negative stereotypes that undermined women's performance in tests, especially math. The theory, of course, can be tested beyond academics, on social conditioning — and in the workplace.

"Ten years ago, the role of a woman (in the corporate world) was assumed to be secretarial," says Sonal Mattoo, practising lawyer and founder of Helping Hands, an NGO specialising in drawing up and implementing human resource (HR) policies and advocacy in case of sexual harassment. "Even today, in sectors such as information technology (IT) that claim to have a balanced gender ratio, women play major roles in functions like HR but we see very few hardcore engineers."

Take a step back and look at what the figures have to say. Sixty-eight per cent of the Fortune 500 companies, including Apple and News Corp., do not have a female boardroom member who has worked her way up to the top. Only 11 per cent of the top executives in these companies are women.

The World Economic Forum Gender Gap Index 2007 ranked India at the 114th position, after taking into account economic, political, educational and health parities, among total 128 countries. In terms of 'economic participation and opportunity' (see 'Gender Gap Index' on page 51) alone, India has fared even worse at 122nd position, sliding into the bottom 10.

Sure, names such as Naina Lal Kidwai of HSBC India and ICICI's Lalita Gupte and Kalpana Morparia are mentioned as examples. However, according to the latest study of 149 Indian companies done by Confederation of Indian Industries (CII) in 2006, while there is a healthy ratio (16 per cent) of women managers at junior levels, they make up only 4 per cent of senior managerial posts. Further, only 1 per cent of the organisations have women CEOs.

## Socially Sound

While many blame the sharp drop in numbers to the glass ceiling, a fair share put their finger on the social demands on a woman's traditional role. It is not India alone where multi-national companies face this issue. According to a 2007 McKinsey report, 'Women Matter', an average European woman spends about four-and-a-half hours on domestic tasks as opposed to men who give a little more than two and a quarter. And while Japan's Health Minister Hakuo Yanagisawa's reference to women as "birth-giving machines" may have been politically incorrect, the report says that 49 per cent of best-paid women in the age bracket of 41-55 years are childless as opposed to 19 per cent men.

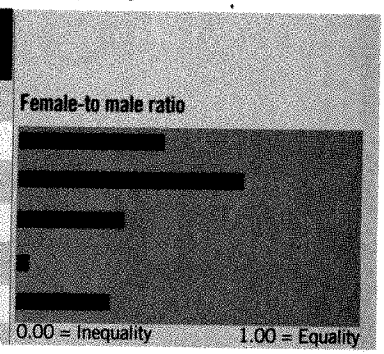
To ease the pressures of these social demands, company policies are being designed to provide equal opportunity. "To overcome inadequate child-care facilities in the city, we have built an on-campus day-care centre," says Rajeev Malik, head of HR, McAfee India. "Mothers bring their children and attendants for the day. Accessibility gives them less reason to worry about their young ones."

Others address it differently. "There is a period of time, after delivery and till the child is

## Gender Gap Index

India needs to cover a lot of ground on gender equality in economic matters.

| | Rank | Score | Sample average | Females | Males | Female-to-male ratio |
|---|---|---|---|---|---|---|
| Economic participation and opportunity | 122 | 0.398 | 0.577 | — | — | — |
| Labour force participation | 114 | 0.43 | 0.69 | 36% | 84% | 0.43 |
| Wage equality for similar work (survey) | 59 | 0.67 | 0.64 | — | — | 0.67 |
| Income (ppp $) | 115 | 0.31 | 0.50 | 1,471 | 4,723 | 0.31 |
| Legislators, senior officials, and managers | 111 | 0.03 | 0.26 | 3% | 97% | 0.03 |
| Professional and technical workers | 97 | 0.27 | 0.68 | 21% | 79% | 0.27 |




three-four years old, when the mother's attention is divided," says Dhananjay Bhansod, chief people officer — note the designation — at Deloitte India. "We ensure no drop in the quality of output by reducing time commitments accordingly." Many organisations offer flexi-timing to their employees to accommodate early parenthood and other personal issues. "But none of our male employees have availed of this facility and neither is it aggressively communicated to them," says Bhansod.

Some view the care of children in their formative years as critical. "Some women employees may have taken a career break," says E. Balaji, CEO of Ma Foi Management Consultants. "I feel studies of compensation that indicate women are paid less are a wrong interpretation of information. It would not be right to compare salary levels with that of a male employee who had been in continual employment."

Let the numbers speak for themselves. The wage equality index in the World Economic Forum Gender Gap Index shows that a female employee earns Rs 67 for every Rs 100 earned by her male counterpart for similar work. Try and recall the last time you read the highest paid fresh graduate from IIT or IIM being female.

Moreover, companies have good reason to provide solutions to keep their women despite their stereotypical functions. US-based Catalyst — a corporate membership research and advisory organisation — reported that companies with the most gender diversity in upper management performed better financially. Capital markets and investors are paying heed. Investment funds, such as Calpers in the US or Europe-based Amazone, include gender diversity as an indicator among their investment criteria.

### The Double-edged Sword

So far so good. But the most talked about, and yet, least reported gender issue in any workplace is that of sexual harassment. The Vishaka Guidelines of 1997 and the Confederation of Indian Industry's National Committee on Women Empowerment provide preventive measures and expected actions in case of workplace misconduct.

Both the guidelines, however, fail to address what is popularly referred to as 'reverse' sexual harassment. "Men don't have a platform to voice their problems," says Mattoo of Helping Hands. "Misuse of (sexual harassment) policies is rampant these days. In the trade-off, genuine cases get neglected."

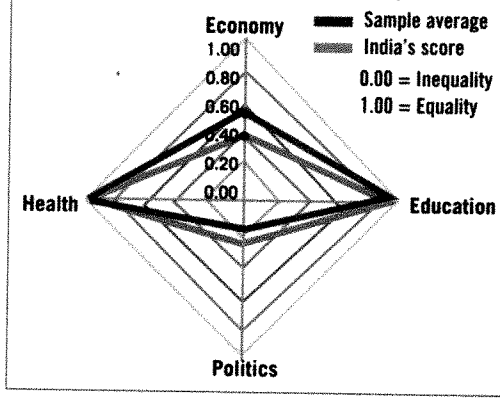
Despite committees being set up, partners such as Ethics Point of McAfee being deployed and anonymity assured, few cases are reported — mainly due to lack of education on what can be considered as harassment. Employee sensitisation on the issue also appears to be lacking. Constrained mindsets often cause victims to believe they played an inviting role and the problem is resolved by brushing it under the carpet. "The entry of women in the corporate world has been relatively late," says Gopal Nagpal, consultant at Mercer. "With the natural flow of things, we will reach a level playing field in 15 years."

Today women themselves are partly responsible for the bias against them in the workplace. A BBC report in late 2005 says the Cinderella complex — no matter how successful a woman is, subconsciously she still expects that a prince is going to come along and rescue her — is the core problem. Another stereotype comment?

*manashwi.banerjee@abp.in*

### The world and us

In the World Economic Forum's Gender Gap Index 2007, India's score on women's role in economy is far below the sample average.



# Up Close And Personal

**by Meghana Biwalkar**

**Give vent, find jobs and shape ideas with company blogs**

IT WAS SOMETHING OF A FLYING START. "WE WERE A start-up organisation and wanted to connect with the customer on a personal level right away," says Hrush Bhatt, who founded Cleartrip.com in July 2006 to offer the best deals on flight bookings in India. Cleartrip's happening rendezvous? A blog. "Our blog puts forth the comments, good or bad, for all of us to see, learn and implement," says Bhatt. The Cleartrip blog registers about 2,000 visitors a day, clocks nearly 200 regular readers and claims faster redressal than an internet complaint box.

"Blogs are all about creating an environment to collaborate with stakeholders and encourage a two-way dialogue that will help in product development and in improving relationships," says Edward Orange, Asia-Pacific director of the Lotus Software Group, a part of IBM. Lotus blogs too connect with partners.

Cleartrip, for instance, constructed its calendar and graph from unstructured responses such as, "My dates are flexible, so why must I go through a fixed date calendar to plan my trip? I need something that gives me an idea of dates which have lowest fares."

Blogs also grow ideas. Sun Microsystems' blog, which gets about 4,000 hits a day, has chief executive officer (CEO) Jonathan Schwartz discussing technology and Sun products, drawing external audiences to his product development process.

"Blogs are being recognised as an effective tool to reach out to stakeholders without forcing the company's views and ideas on them," says A.L. Jagannath, general manager, marketing, at Sun Microsystems.

The corporate blog is only just coming of age in India. While a Wipro spokesperson said his company was currently testing waters and marketing its forthcoming recruitment blog through campuses and by word-of-mouth, others expect the corporate blog will eventually also be seen as an unrestricted channel of communication with future employees.

Meanwhile, if a customer has a technical issue with a product, other readers resolve it by sharing experiences through posts. "There are times when, even before we get together to sort a problem that is spotted on the blog, customers reach out to help their fellow bloggers," says Sun's Jagannath.

The spread of 'social media' — online discussion groups, social networking sites and blogs — enables clients to materialise from anywhere in the online universe to discuss a brand. "How far will you run when your brand is already exposed?" Rajiv Dingra, a 23-year old who started WAT Consultants, a company that provides advice on online tools, asks his clients. "People discuss your brand or advertisement over coffee or on networking sites. So, why not give them an official platform to do it?"

**BLOG STATS**

Some of Indian companies which support corporate blogs, and their nature

| Company | Blog Name | Visits | Special Outcome |
|---|---|---|---|
| Cleartrip | Cleartrip.com | 2,000 views per day | Cleartrip calendar, graph of all airlines, rates and availability |
| Giftex | Giftex Blog | 2,000 to 5,000 hits a month | Gifting ideas such as ornamental shrubs, flowering shrubs. New business leads and geographical reach |
| Wipro | Campus Arena | Can't reveal | Indirect recruits and career-oriented articles |
| Sun Microsystems | CEO blogs, internal blogs (global) | 2,000 views per day (approx) | Partner interaction and direct communication with CEO |
| Patni Computers | Insync | 2,000 visits a month | Used as a knowledge sharing platform |

ILLUSTRATION: SATKAR J. YONZON

## What's In A Blog?

"A blog is a tool that makes customers feel a part of the company," says Jaideep Shergill, partner at Hanmer & Partners Communications, a Mumbai-based PR firm. "They can understand what goes behind building a product, and find out more about the ideas of thought leaders, which are not published by the media."

Globally, it is estimated that over 40 Fortune 500 companies support corporate blogs, allowing CEOs and employees to bypass PR departments, journalists and industry analysts to speak directly to the public. Among early corporate bloggers are Amazon, Cisco and Oracle. AMD, Dell, Kodak, GE, Intel, Microsoft, Sun, Yahoo, GM and Xerox have followed.

In India, GM, Giftex, Wipro and Patni Computers are also using blogs to communicate 'with' and not just 'to' the customer. GM's blog Fastlane provided pioneering inspiration for idea building. In fact, GM's Vice-Chairman Bob Lutz discusses his plans on product development with the reader, and welcomes their views. Elsewhere, "Blogs have also started becoming an important medium of communication between employers and prospective employees," says Deepak Khosla, senior vice-president of Patni Computers, which stated its blog, Insync, in 2007.

Company blogs, generally managed by the organisation's marketing team or CEO's office, are known to give quick responses to customers. "Instead of spamming the customer with product news and consumer updates, blogs can be used by company officials as a platform to talk on a personal level to customers, vendors and employees," says Subash A.K. Rao, human resources director of Cisco India.

"We are looking at blogs to supplement our other communication tools such as newsletters and the intranet," says K. Ananth Krishnan, chief technology officer of TCS. For instance, Giftex, the corporate gift firm, was approached by a product designer keen on partnering with it through the blog the company set up in August 2007. "We have not only developed product packages for corporate gifting, we have also managed to create awareness not just in India, but also in countries like China," says Digambar Sethi, senior executive with Trade and Tech Exposition Company, which owns Giftex.

Blogs are vulnerable to criticism though. A popular shopping site, for example, drew sharp censure from disgruntled buyers at Mouthshut.com, a dialogue that is available even now in the public domain. Transparency, however, is vital to discussion. "We never delete any negative comments from our blogs," says Bhatt of Cleartrip. "Also, customer testimonials, success stories and product reviews attract the right kind of online traffic." But open criticism makes most Indian companies chary about blogging. "This is why the growth of blogging is slow in India," says Dingra of WAT. "This will change as customers will soon demand an open communication platform from companies."

Though company blogs filter offensive language, the very nature of blogging relies on free expression and self-policing. "Any company that believes blogging is a threat may then also accept that cell phones and emails are threats to the organisation," says Vivek Bhargava, CEO of Communicate2, an online marketing company.

Successful blogging is entirely about connecting with an audience and nurturing that relationship. "Indians are receptive to a personal tone of communication and blogging will only grow from here as it lends a voice and place to archive one's opinions," says Krishnan.

Many young customers demand reason, ignore controlled information, and decide where they would like to go. Sometimes, it transpires, they want a U-turn. Hrush Bhatt's page-long post on the nuances of the Cleartrip date-picker's 'complete overhaul' re-design drew this comment from visitor Dhruv Chopra, "I loved the old calendar. This (new) calendar almost says 'dude, why do you want to go anywhere? Sit at home and enjoy your beer'. Bring back the old calendar."

*meghana.biwalkar@abp.in*

# Dump Reservation

**by rajeev dubey**

IT FIRST CAME AS A SUGGESTION FROM THE prime minister at a CII conference two years ago, then with some veiled threats. Now, it seems, the government is convinced that affirmative action — a term borrowed from the US for policies that promote access to education and employment to socio-politically disadvantaged groups — requires legislation. It could then force private sector companies to reserve seats for scheduled caste/scheduled tribes (SC/STs) and other backward classes (OBCs), which is a disastrous step in itself that has no parallel anywhere in the world.

**Fobbing off reservation to the private sector is equivalent to treating the symptom rather than the disease**

Corporates are protesting and have offered to hire more dalits voluntarily and consciously. But they are hapless against a desperate political move of an inactive government to pander to the huge dalit vote bank in a bid to counter the stunning ascent of dalit political parties, such as Mayawati's Bahujan Samaj Party in UP and the Republican Party in Maharashtra. Industry fears that since the government has few achievements to showcase for its five years of rule, it may use legislation as a trump card before the next Lok Sabha elections.

There are several reasons why the government must desist from doing so. First, if it comes at such a nascent stage of India's spectacular economic revival, this could only be counterproductive. The move from merit-based employment to reservation-based employment has had its own drag effect in the government and in PSUs. Despite 50 years of reservation, SCs/STs haven't even made it to the senior management of most PSUs, with the number of SC/ST directors on their boards not even averaging one per company. This is because the school dropout rate of SC/ST students is very high

The enormous vacuum of inclusive growth in India is a failure of governance. Fobbing off reservation to the private sector is no solution — it is equivalent to treating the symptom rather than the disease. The real cause of the failure of inclusive growth lies in our inability to educate SC/STs and OBCs so they can be self-dependent. According to a FICCI study, a shocking 81 per cent of all reserved seats in technical institutes, such as ITIs, remain vacant while 88 per cent of all reserved seats in IITs remain vacant. Largely because school dropouts are as high as 63 per cent among SC/STs. In Delhi University, as against a reservation of 22.5 per cent, they fill only 11.37 per cent seats in graduate courses, 9.40 per cent in postgraduate and a low 3.77 per cent in research.

India needs to address this fundamental problem and spare the private sector of the political motivations. It's in the interest of the underprivileged to provide them with the right education and prepare them for the highly competitive corporate world, so that they can compete for the best jobs available. Let's build strong foundations, rather than repair the buildings. Giving them reserved jobs that they aren't prepared for is a myopic, politically challenged idea. It is a huge disservice to the unsuspecting because it will throw them into the vortex of a cutthroat environment and could create more social problems than has been bargained for. In the long run, those unable to cope with the pressures will tend to congregate into unions to protect their interests. So far, labour rights have been fought with caste agnostic unions; soon, there will be caste-based unions. Over a generation or two, this will become a Frankenstein's monster. Unions that can't trust the management can bring down the best of industries. Take the case of United Auto Workers in the US, which has collaborated in the decimation of Detroit as the Mecca of the global auto industry. Closer home, let's remember the mighty National Textile Mills for a while.

One option put forth to the opponents of reservation is that it should be for a fixed period of 10, 20 or 30 years. An impractical idea. Mind you, the founding fathers of the Constitution had introduced reservation for a limited period of 10 years only. Regimes thereafter haven't been able to muster the courage to abolish it. Instead, decade after decade, they've used renewal of the 10-year period as a political tool of achievement.

The government should step aside from forcing reservations in the private sector. Rather, it should use media campaigns to make affirmative action trendy and much of an "in thing" as corporate social responsibility or global warming. Peer pressure will do the rest. Intense corporate citizens take their responsibility towards society far more seriously than the government. Better still, the government could provide a one or two-year tax break to companies that take affirmative action. Carrot, clearly, would work better than stick here.

*rajeevdubey@abp.in*

# Not Just A Logo But An Initiative That Will Benefit 65 Lakh Weavers & Protect A Rare Skill & A Proud Legacy

Shri Shankersinh Vaghela
Hon'ble Minister of Textiles, Govt. of India

Smt. Sonia Gandhi
Hon'ble Chairperson, UPA

Dr. Manmohan Singh
Hon'ble Prime Minister of India

Shri E.V.K.S. Elangovan
Hon'ble Minister of State for Textiles, Govt. of India

# Handloom Mark

## The Assurance of Real Handloom Creations

**Handloom**

Every product that bears the 'Handloom Mark' certifies the authenticity of the product being an original hand-woven produce created by 6.5 million handloom weavers

**Office of the Development Commissioner (Handlooms)**
Ministry of Textiles, Government of India
www.handlooms.nic.in

**Textiles Committee**
(Implementing Agency)
Ministry of Textiles, Government of India
www.textilescommittee.gov.in

India

# Depressing Numbers

**by Srikanth Srinivas**

**IMF report hints China and India will boost global growth**

HOW QUICKLY THINGS CHANGE. LOOK AT THE International Monetary Fund's (IMF) World Economic Outlook (WEO) — a biannual report published every April and October — and you'll see a remarkable drop in economic growth projections in just four months. The latest estimates of 3.7 and 3.8 per cent of projected global growth for 2008 and 2009 are lower by a full percentage point since January this year. The slowdown will be more persistent than earlier thought, it seems.

True, much of this slowdown will be felt in the US; growth prospects for that country have deteriorated more rapidly: Growth estimates for 2009 are 1.2 per cent lower. As US banks and financial institutions continue to take hits to their assets, those already pessimistic projects could go even lower: the WEO points out that if global growth falls below 3 per cent, we will be in a global recession. The probability of that happening is estimated at 25 per cent.

But there is a silver lining. Emerging markets, led mainly by China and India, will boost overall global growth, says the WEO; any slowdown in those economies is likely to be moderate, as they have no exposure to the credit crisis that has gripped the US and Europe.

Alex Patelis, head of international economics at Merrill Lynch, says there is a fallacy in blindly believing that what's happening in the US will soon be happening everywhere else. "We disagree. Blue, red, yellow, pink. This is a big world, and investors should celebrate its diversity," he says in a research report for investors.

### Just What Happened?

The WEO identifies three major concerns that could impact the global economy more adversely that it has already. Inflation — led largely by higher energy and food prices — is rising all over the world. Second, despite the decreased momentum, commodity markets continue to boom. What is not clear is whether the commodity price boom is a consequence of loose monetary policy in the US and the UK, or a function of high current demand. At least in part, says the IMF, the recent run up in commodity prices could be the result of investors seeing it as an alternative asset class.

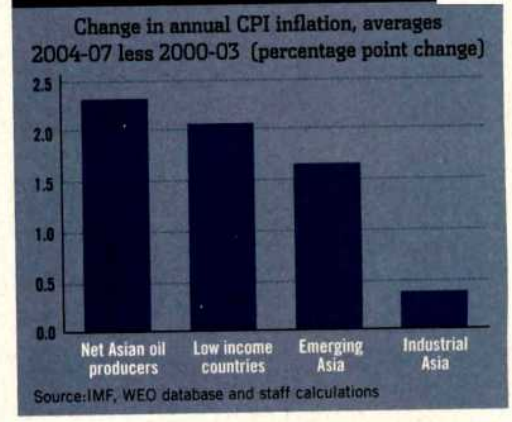
Third, the financial shock emanating from the collapse of the housing markets and the subprime mortgage market crisis has inflicted considerable damage to institutions at the core of the financial system. Low liquidity in interbank markets and weak capital adequacy in banks has fuelled concerns about credit risk.

As John Maynard Keynes put it, "Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is long past the ocean is flat again." Economists in the US are not quite clear whether the US is in a recession or not. Government officials certainly don't think so. "We expect growth (in the US) will slow to 0.5 per cent in 2008 and 0.6 per cent in 2009," says Simon Johnson, economic counsellor and director of research at the IMF. "We also expect a gradual recovery toward potential beginning in 2009."

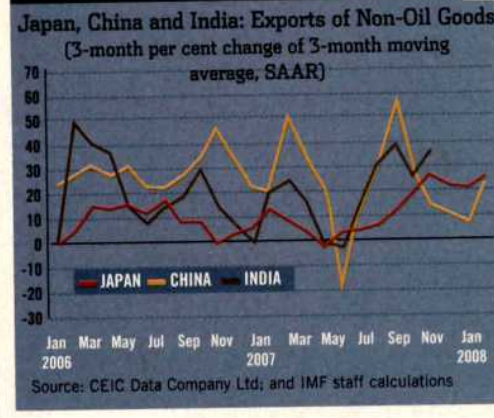
### Emerging Risks In Emerging Markets...

The greatest risks to the global economic outlook come from events in financial markets that

**Inflation rates in various econom**




**Comparison of non-oil goods export**

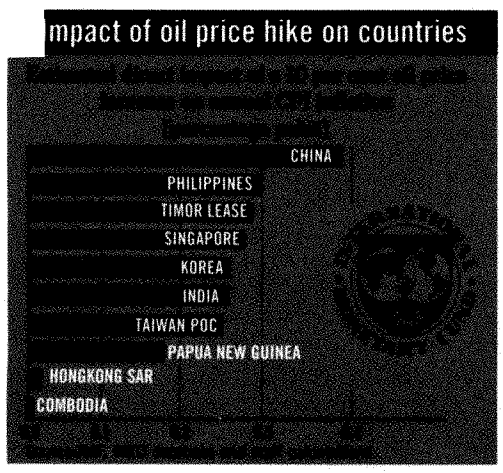


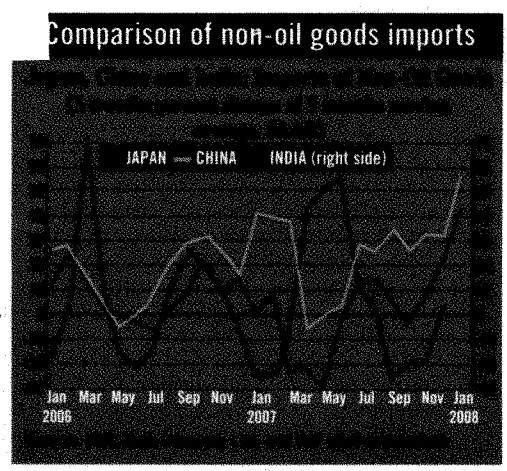
are still playing out. Even the titles of research notes being put out by major investment banks are reflective of that sentiment: 'Fasten Seatbelts' (Goldman Sachs) 'The risks of decoupling' (Merrill Lynch), and so on. In particular, the potential for even deeper losses to US banks could have a severe impact on company balance sheets in other sectors. "Although only a few firms have reported first quarter results, early signs are awful," says David Kostein, chief investment guru at Goldman Sachs in New York. "We expect a swath of lowered profit guidance."

So what about emerging markets' prospects? Amit Bhatiani, portfolio manager at Wall Street hedge fund Duma Capital points out that Asia would not receive special dispensation from a US recession. "There is deep uncertainty regarding the economic and financial outlook," he says. "The notion that India and China have 'decoupled' from the rest of the world is popular. But much of the high-octane growth is export-led and while there's a fair amount of intra-regional trade, the biggest end-market is the US."

High on the risk table for emerging markets — including India — is high and persistent inflation. The producer price index — or the wholesale price index (WPI) in India shows some cause for alarm. In both China and India, producer prices show double-digit growth. Producer prices — mainly oil and raw material inputs — are rising faster than consumer prices.

To compound matters, an accurate reading of the real level of inflation is hampered by administer pricing mechanisms mainly for fuel and foodstuffs. And complicating the assessment of how much upward pressure there is on prices is the lack of pass-through to consumers, all of which distort price signals.




### ...And In India Too

Is there a risk that the Indian growth story could be derailed? Warnings about inflation from the Reserve Bank of India (RBI) and a sudden large adjustment in the WPI done in early April highlight the potential risks to our economy. From 9 per cent in 2007-08, projections for 2008-09 are down to 8 per cent.

Agricultural production — and given food price inflation — is a cause for concern. Tightening liquidity conditions, perceived high interest rates, a domestic credit shock and capital outflows together could be the perfect storm that drives growth rates below 6 per cent.

"But the probability of such a 'perfect storm' occurring is very low," says Kalpana Kochhar, senior adviser at the Asia Pacific department of the IMF. Finance Minister P. Chidambaram doesn't think that such a big drop in growth rate is likely either, even as he acknowledges that a slowdown may be necessary to bring down inflation, particularly food price inflation which can be critical in this election season.

We are reasonably self-sufficient in major commodities, and the food supply is more or less in balance. But food priees and commodity are likely to remain high, driven by growing incomes; but how much of that inflation is permanent and how much temporary is to be seen.

Monetary policy cannot address inflationary pressures that are supply-side driven. The more classic response would be to let the exchange rate appreciate, but that too is a political no-no in the current circumstances.

So while India may be relatively insulated from the contagion of the credit market, this is no time for complacency either. As IMF's Johnson says, now is the time when prudent governments should draw up contingent plans to guard against deeper 'tail risks' — the risk that an unlikely event that can create catastrophic results. Buried in the IMF's cautious optimism lies the scintilla of doubt.

*srikanth.srinivas@abp.in*

# Powering Up Growth

**by M. Rajendran**

**Unrealized potential translates into hope for power sector**

FOLLOWING THE COLLAPSE OF BANKING POWERhouse Bear Stearns, *BW* decided to scrutinise the Indian terrain for possible industries and companies that might follow a similar fate. In this week's coverage, we look at the power sector in India for signs of a similar catastrophe. With a market capitalisation of more than Rs 7 lakh crore, the power sector will be a key driver of economic growth in India over the next few decades. An adverse impact in this sector could have a spiralling effect on other industry stocks at the bourses.

By 2032, India's GDP is expected to increase four-fold, from $1 trillion to $4.1 trillion, creating a massive spike in energy demand from 700 billion units (BU) to over 1,800 BU. The country's per capita electricity consumption is currently a woeful 625 kWh compared to 2,150 kWh in China and 12,200 kWh in the US. Clearly, there is great opportunity for power companies in India.

However, while the opportunity is significant, movements to revamp the power sector have been exceedingly slow. India is still plagued by large amounts of electricity theft. Free power given to the agricultural sector is a fundamentally flawed strategy since, more than anything else, it doesn't differentiate between rich and poor farmers. While poor farmers don't have enough power to run their bore wells or water pumps, rich farmers use the free power to run their air-conditioners and television sets. The distribution system is inefficient and hasn't been modernised. The government's rural electrification programme continues to build lines across the country that do not carry electricity. Moreover, the huge rise in global gas and oil prices and inefficient coal linkages mean that power companies will have to dish out large amounts for fuel.

Despite these drawbacks, power companies in India are surging ahead with plans to build plants and increase capacity. This has generally had a positive impact on their bottom lines and stock prices. NTPC, India's government-owned power company, has generated strong financials from its operations and has been able to successfully raise money for upcoming ventures.

The company announced a net profit of Rs 7,129.3 crore for the financial year ending 2007-08. It placed Series XXV and XXVI Bonds amounting to Rs 500 crore each with Life Insurance Corporation of India to finance capital expenditure of its projects, and also took new loans worth Rs 3,475 crore from domestic banks and other financial institutions.

Unlike the former Enron Corporation, the US company that rocked the market as it imploded due to fraudulent accounting practices, NTPC has three checks on itself — the company's board, the Comptroller and Auditor General (CAG) of India, and the Parliament. However, analysts feel that these checks are a stress on the valuation of the company, which

TRIBHUWAN SHARMA

**GENERATING INTEREST:** India's power firms have a lot more opportunities than those in China and the US

has a current price/earnings (P/E) ratio of around 20 against the global average of 18.

"NTPC is grossly undervalued," says Harry Dhaul, director general of Independent Power Producers Association of India.

Still, problems for NTPC abound. Its reliance on coal is an issue, considering the massive inefficiencies that continue to plague the often-fickle supply and transportation of coal to its plants.

Plus, ONGC's gas reserves have declined substantially, forcing NTPC to now rely on local players, such as Reliance Industries, who not only have vast reserves but are also keen to charge high global prices. Unless NTPC resolves all these supply-side issues, it could see an erosion in both its financials and its stock price.

Other companies such as Tata Power and Reliance Power are poised to take advantage of the boom in the sector. Tata Power has chased projects aggressively.

In an attempt to check supply-related problems arising from India's coal mafia, it has bought a $1-billion coal mine in Indonesia as well as ships for transportation. But it had a P/E of 33.9 as on 2 April 2008, nearly twice the global average.

Reliance Power is similarly attempting to storm the industry with the construction of 13 power projects around the country. Its IPO earlier this year got oversubscribed 10.5 times, but the price is now down to Rs 370, 14 per cent lower than the issue price. So far, Reliance Power has not commissioned a single project out of the 13 and, hence, the P/E of the share was non-existent. However, parent Reliance Energy's (now Reliance Infrastructure) estimated P/E of 18.8 for 2009 is almost the same as the global average of 18.

The chief concern for companies such as Tata and Reliance will be on the execution front. Both have massive order books, but government delays in land acquisition for their various plants and meeting several project deadlines concurrently will potentially affect both companies' performances and stock prices.

Nevertheless, despite these myriad shortcomings, some industry observers feel that the high P/Es of Indian companies are a reflection of the growth projections (see chart 'Power Companies' Standings') and not necessarily an indication of overvaluation.

"I do not see a disconnect between the valuations," says J. Suresh Kumar, chief financial officer of Lanco Infratech, a private power generator. "There is more opportunity here than anywhere else in the world. There is a possibility of 20-30 per cent growth per annum in India."

**POWER COMPANIES' STANDINGS**

| Company | Market cap $ million | Enterprise value ($m) | P/E 2007 E | P/E 2008 E | P/E 2009 E |
|---|---|---|---|---|---|
| **SEA IPPs** | | | (10X) | (10X) | (10X) |
| YTL Power International Bhd | 4113 | 6453 | 14 | 13.2 | 12.9 |
| Ratchaburi Electricity Generation Hol | 2071 | 2511 | 9.5 | 10.2 | 11.1 |
| Electricity Generating PCL | 1596 | 1790 | 6.5 | 6.9 | 6.4 |
| Glow Energy PCL | 1513 | 1949 | 10 | 10.2 | 10.6 |
| First Gen Corp | 748 | 1017 | 6.9 | 7.6 | 6.9 |
| Aboitiz Power Corp | 826 | 588 | 11.5 | 9.5 | 8.8 |
| **CHINESE IPPs** | | | | | |
| Datang Int. Power Generation | 18989 | 26365 | 16.2 | 16.1 | 14.2 |
| Huaneng Power Int. Inc | 14180 | 21214 | 12.3 | 13.9 | 12.2 |
| China Resources Power Holding | 9657 | 11370 | 21.1 | 16.9 | 14.4 |
| Huadian Power Int. Corp Ltd | 4057 | 8781 | 11.5 | 10.1 | 9.6 |
| China Power Int. Development | 1259 | 2113 | 14.6 | 9.1 | 6.2 |
| **INDIAN IPPs** | | | | | |
| NTPC Ltd | 39158 | 42550 | 20.5 | 18.5 | 16.5 |
| Reliance Energy Ltd | 7128 | 8049 | 27.9 | 23.9 | 18.8 |
| Reliance Power Ltd | 18808 | 18808 | NA | NA | NA |
| Tata Power Co Ltd | 6157 | 8099 | 36.7 | 33.9 | 30 |
| Jaiprakash Hydro Power Ltd | NA | NA | NA | NA | 12.4 |
| **SEA INTERGRATED COMPANIES** | | | | | |
| LP Holdings Ltd | 19165 | 25196 | 14.1 | 14.6 | 17.3 |
| Korea Electric Power Corp | 21411 | 42078 | 13 | 16.7 | 12.5 |
| Hong Kong Electric Holdings Ltd | 12876 | 13375 | 13.5 | 13.1 | 16.9 |
| Tenaga Nasional Bhd | 9910 | 16468 | 8.1 | 9.4 | 10.1 |
| **UK GENERATION** | | | | | |
| Scottish & Suthern Energy Plc | 24492 | 28820 | 14.3 | 13.5 | 12.8 |
| International Power Plc | 13065 | 22653 | 16.1 | 14.7 | 13.1 |
| British Energy Group Plc | 22606 | 22049 | 21.6 | 24.5 | 15.4 |
| Drax Group Plc | 3797 | 4349 | 5.6 | 8.1 | 8.4 |

Source: Factset (updated as on April 2, 2008) and *BW* Research

In India, the word 'Enron' is more familiar to us not so much for the implosion of the company because of dodgy accounting practices but because of the earlier collapse of its flawed Dabhol power project in the 1990s. India has come a long way since then and private players are making significant headway in all areas of the power sector — from equipment to generation and distribution.

Still, substantive progress in the sector can only be made with significant improvements in the policy and regulatory arenas.

Until then, we not only run the risk of remaining gridlocked, but also imperil the performance of companies in this sector by allowing massive supply-oriented inefficiencies to persist.

*m.rajendran@abp.in*

# Free For All Markets

**by rajeev chandrasekhar**

INFLATION HAS HIT THE POLITICAL LEXICON IN an even stronger than usual way. Part of this is because inflation is becoming a cause of serious concern for the middle class and the poor and the other less important but noisier fact is that it is election season.

This recent inflation spurt has clearly caught the government by surprise because of the sharpness and velocity of the increase. This tells us one important thing — someone took his eyes off the ball in the government. Unfortunately, the problem with taking your eyes off the ball if you are the government is that it causes serious economic impact.

This bout of inflation is, in my opinion at least, a perfect storm — a coming together of negative factors. For those who are following this inflation inspired political drama, there have been many explanations trotted out — but all saying basically one thing: this bit of inflation was inevitable, so please lie back and enjoy the pain.

**With increasing evidence of cartels, things are far less competitive today than before**

India has a history of shielding consumers from global price shocks — petroleum being a case in point. So some amount of price shock absorption could have been possible with an efficient PDS system. Which is why I have problems in accepting this treatise being handed out that this is some global malaise that we couldn't prevent or avoid. On the contrary, there are many systemic weakness/failures that have had a consequential/compounding effect on inflation. My view is that this round of inflation is a coming together of many negatives: a) Global inflation, b) Poor domestic regulation of competition in many industries c) The age old phenomenon of a leaky and inefficient PDS system having a compounding effect on shortages, and d) Finally, the last component of little or no enforcement of hoarding.

Let's look at the second piece — the domestic regulation of competition. One of the most tragic scenes being played out during this whole inflation debate was the sight of the finance minister and senior members of the government alternating between helpless wringing of hands, and sabre rattling and threats against industry, in particular steel and cement, to try and get some control back into their soaring prices. He had made some of the same points in his Budget speech but this time his frustration was much more obvious. This whole scene would have been funny if it wasn't such a tragic indictment of our regulators'/institutions' failure to manage true competition and, thereby, a free market.

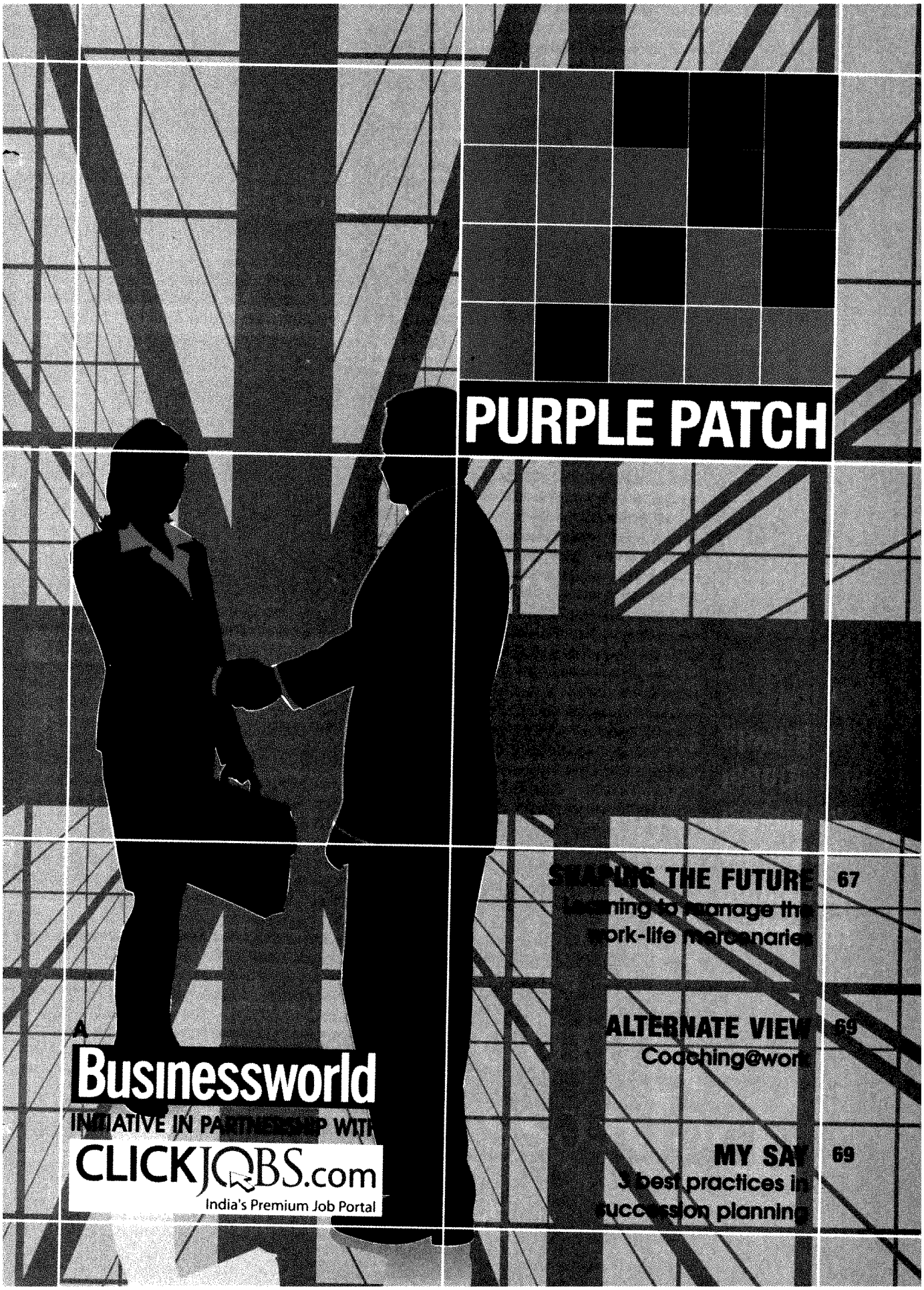
The problem of lack of true competition in our economy becomes clearer when the steel, cement or the telecom industry can behave with such impunity — where the finance minister of the country can accuse them in Parliament of cartelisation and still nothing happens. The steel minister had rhetorically asked in the last session of Parliament if it would back him if he took action against steel vendors for price fixing. Sadly, his question was posed just as question hour got over and he was left with no answer.

I don't have any evidence on this, but the conduct of some of the industrial components of the IIP clearly point to cartel-like behaviour. In a regime of shortages and in the total absence of any institutional intervention to prevent this behaviour, the conduct of some of these companies becomes even more blasé. Any government would expect business to behave this way and maximise their profits — regardless of the moral or other consequences. I, therefore, find this whole approach of using moral appeals to industry very funny if not tragic, because it only signals the government's helplessness.

So my take on inflation is somewhat at variance from that of the government. I see this partly a result of poor regulation coming home to roost in a sudden bang called inflation. I have in an earlier article discussed the instance of a regulator refusing to intervene in a blatant case of price fixing, terming it co-operative pricing and choosing to ignore it. This kind of *laissez faire* regulation is dangerous and clearly anti-consumer. It is a clear abrogation of the duty of a regulator or executive and evidently ends up costing the common man — as in the case of inflation. With increasing evidence of cartels, one can argue that things are far less competitive today than before. Free markets don't mean free-for-all markets where market players dictate to the consumer. Free markets require a government to intervene decisively if consumers' interests are seen to be compromised. In a supply constrained economy, the role of institutions of the government, such as MRTPC and Competition commissions, are critical to keep things honest and fair.

---

The author is a Member of Parliament.
*rajeev.c@nic.in*



# PURPLE PATCH


SHAPING THE FUTURE 67
Learning to manage the work-life mercenaries

ALTERNATE VIEW 69
Coaching@work

MY SAY 69
3 best practices in succession planning

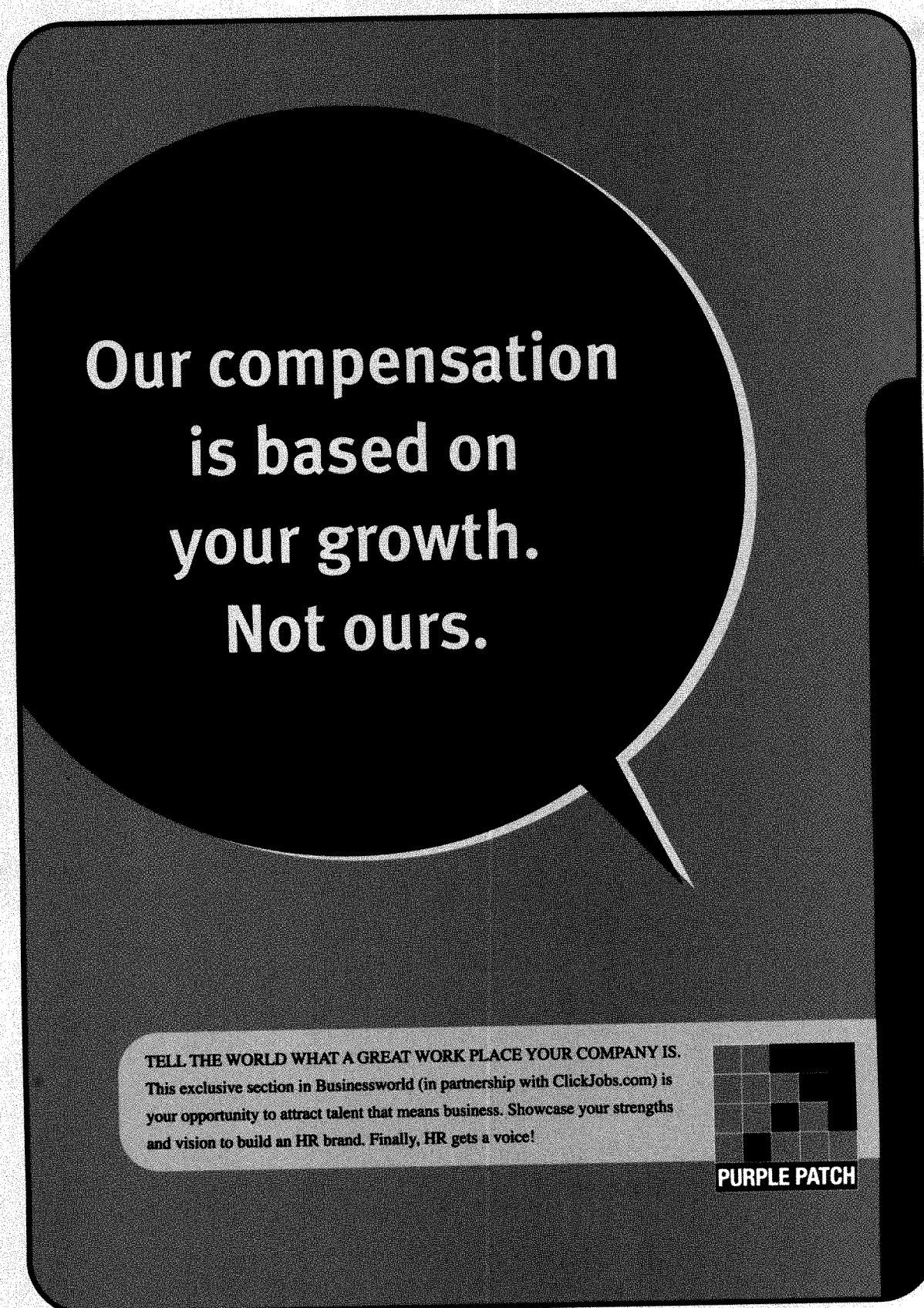

A

Businessworld

INITIATIVE IN PARTNERSHIP WITH

CLICKJOBS.com

India's Premium Job Portal




For research and value added services write to : purplepatch@bworldmail.com. For advertising enquiries: North: Meenakshi Jha (meenakshi.jha@abp.in, +91 9899043937) East: Aniruddha Chatterjee (aniruddha.chatterjee@abp.in, +91 9903385226) West: Suprokash Mukherjee (suprokash.mukherjee@abp.in), +91 98191 49454) Bangalore: Bharat Srinivasan (bharat.srinivasan@abp.in, +91 98862 90197) Chennai: R.V. Praveen (r.v.praveen@abp.in, +91 98840 14966) Hyderabad: Amit Sinha (amit.sinha@abp.in, +91 9849426157)

BATES DAVID ENTERPRISE 1585

# Learning to manage the work-life mercenaries

## In the second part of our series on challenges in the New Organisation, we look at the *people dimension*

While technology and communication will change the way the New Organisations operate, the real change will be in the way people and organisations interact. The 'people dimension' in the New Organisation will, therefore, be of critical importance.

Individual expectations from work today are very different from the past. Earlier, individuals sought security in employment and in return gave loyalty. Today, they seek opportunities for impact, contribution and growth and in return help create individual and collective value for themselves and for the organisation. They view their work as a means of personal fulfillment and are increasingly motivated by intangibles such as work-life balance, spiritual fulfillment and values. You could call them 'work-life mercenaries', moving jobs and careers to achieve personal aspirations. They view career growth and professional development as their primary responsibility and use organisations as a vehicle for personal and professional growth.

Increasingly, this New Organisation employee will seek out opportunities for adding to his or her portfolio of capabilities/strengths rather than focus on security. Respect and credibility are today more important than authority and power. Despite the short-term nature of project spans or job contracts, employees today look for work that not only makes remunerative sense but also gives them a sense of purpose, of achievement, of learning, of contribution and of leaving a legacy of work well done and values well lived. In short, they will expect more out of work and more control over when, where, how and with whom they work.

This new orientation will mark the shift in the way organisations will view talent and the way they engage with it. Attitudes will change from 'people have to be managed' to 'people have the capability to manage themselves'. The new thinking will be - people create value rather than organisations create value.

Facilitating effective human interactions and flexibility will, therefore, be the keystones in managing the people dimension of the New Organisation. This will be seen not only in the way offices are built but also in the way responsibilities, ambitions and outcomes are aligned.

Personalised office rooms and names plates will be an anachronism as the focus will change towards creating interactive work spaces that are used by 'work life mercenaries' or 'work nomads'. With virtual offices becoming a growing reality, the need would be to create effective work spaces for human interactions that are available on a need basis. The new work spaces will focus on promoting people productivity and protecting health, on being environmentally responsible and finally on being cost-effective. Already, several companies are looking beyond effective utilisation of floor space index to better use of natural resources, including light and greenery, conservation of water resources and ergonomically-designed spaces that improve productivity. The ITC, WIPRO, IL& FS, ONGC offices are examples of 'green' offices or 'smart' offices.

### MANAGING PEOPLE - EVERYBODY'S RESPONSIBILITY

No longer is the people dimension of an organisation solely the HR director's responsibility. With talent becoming the critical differentiator between organisations and with individuals dictating the terms of engagement, the responsibility for managing people will devolve across all

# EMPLOYER SPOTLIGHT

molex

**Molex is the world's second largest interconnect systems and solutions company offering more than 100,000 electronic, electrical and fibre optic interconnect systems, switches and application tooling to original equipment manufacturers.**

### ILM BUSINESS DEVELOPMENT MANAGER (BDM)

**Job profile:** BDM will be responsible for developing and executing the sales strategy in India in conjunction with field sales and for supporting the overall marketing and business planning for MPN's global ILM initiative
**Experience:** 7-10 years
**Location:** Mumbai & Bangalore
**E-mail:** chaitali.guggari@molex.com
**Job Code: CJ181603**

### BUSINESS DEVELOPMENT MANAGER (BDM)

**Job profile:** Should ensure sales revenue (billing & booking) goals are met, ensure collections of receivables & statutory forms from distributors, direct customers, development of business partnership with key and large end-users, system integrators, resellers, distributors etc.
**Experience:** 7-10 years
**Location:** Mumbai & Bangalore
**E-mail:** chaitali.guggari@molex.com
**Job Code: CJ173802**

Apps Associates

**Apps Associates provides services in Oracle Apps development, DBA, Microsoft .NET development and business intelligence along with its own line of products. Recognised as one of the fastest growing companies in America by Inc.com with its headquarters in Westford, MA, its Global Development Centre in Hyderabad, India and an operations office in Germany.**

### BUSINESS ANALYST - ORACLE APPLICATIONS

**Job Profile:** Highly motivated analysts for functional support, who have the ability to analyse, develop, maintain and modify enterprise wide ERP & CRM applications using Oracle EBS and having in-depth functional knowledge in Oracle Apps SCM, CRM, PA, HRMS modules
**Experience:** 3-5 years
**Location:** Hyderabad
**E-mail:** jobs@appsassociates.com
**Job Code: CJ177199**

SM macario

**SM Macario is a young, vibrant, fast-growing company providing application development and software solutions worldwide.**

### BUSINESS DEVELOPMENT MANAGER

**Job Profile:** Experienced IT Professionals/ex-defence officials to increase our presence in Indian armed forces, healthcare and embedded domain
**Experience:** 5+ years
**Location:** Delhi, Bangalore, Gurgaon, India & United States
**E-mail:** sudhir@smmacario.com
**Job Code: CJ181586**

### SHAREPOINT 2003, MOSS

**Job profile:** Candidates will be responsible for designing & coding, very good working experience on Sharepoint fundamentals like WSS, SPS features, administration and document library
**Experience:** 2-5 years
**Location:** Gurgaon
**E-mail:** sharepoint@smmacario.com
**Job Code: CJ181379**

GNG GROUP

**GNG was first established as a trading company, in 1996, which gradually became a subcontractor in power transmission and distribution projects and currently has the complete capacity to perform as a main contractor to carry out not only turnkey power projects but also energy engineering projects and other related manufacturing activities.**

### ASSISTANT MANAGER - FINANCE

**Job Profile:** Responsible for general ledger accounting & reconciliation, budget preparation and monitoring variances, taxation accounting and compliance with all internal and external statutory requirements
**Experience:** 3-8 years
**Location:** Gurgoan
**E-mail:** careers@gnggroup.com
**Job Code: CJ152247**

### INVENTORY MANAGER

**Job Profile:** Responsible for dispatch of material and supervision, inventory management (including production reports), stock maintenance, material collection as per schedule
**Experience:** 1-2 years
**Location:** Gurgaon
**E-mail:** careers@gnggroup.com
**Job Code: CJ179871**

### OFFICER- TECHNICAL SUPPORT

**Job Profile:** The person will be responsible for regular updation of the site and providing all kind of hardware and networking support
**Experience:** 1-3 years
**Location:** Gurgaon
**E-mail:** careers@gnggroup.com
**Job Code: CJ156582**

Quantum.

**Quantum has been focused on helping IT departments address data protection and data retention challenges by incorporating innovative solution sets with world-class service and support.**

### STORAGE SYSTEM SOFTWARE ENGINEER

**Job Profile:** Responsibilities include design and Kernel level programming in a HA storage system with file systems, volume managers and data protection software like replication, migration, data coalescing and CDP
**Experience:** 10+ years
**Location:** Hyderabad/Secunderabad
**E-mail:** ravi.kollipara@quantum.com
**Job Code: CJ181429**

### SENIOR FILE SYSTEMS ENGINEER

**Job profile:** Responsible for design and implementation of core system software for disk based backup and disaster recovery solutions for Tiered Storage System Division
**Experience:** 10+ years
**Location:** Hyderabad/Secunderabad
**E-mail:** ravi.kollipara@quantum.com
**Job Code: CJ181426**

Ujjivan

**Ujjivan is a Bangalore-based micro finance institution with the mission of providing full range of financial services - loans, life & health insurance, bank accounts etc. to the poor**

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

**working women. It is a unique venture combining successful models in micro-finance with the technology and efficiencies of modern retail banking.**

### FIELD AUDITOR

**Job profile:** Should conduct short audit, surprise audit as per plan covering the branch processes and field processes with absolute field focus and making relevant field observations on the above processes
**Experience:** 0-3 years
**Location:** Bangalore
**E-mail:** praveen.gv@ujjivan.com
**Job Code: CJ158589**

### BRANCH MANAGER

**Job Profile:** Will be leading a team of 8-10 individual loan officers, motivating, monitoring and on-the-job training of branch team of loan officers and credit officers
**Experience:** 3-5 years
**Location:** Bangalore
**E-mail:** praveen.gv@ujjivan.com
**Job Code: CJ163975**

RAMKY

**Founded in the year 1994, Ramky Group today is a specialist multi-disciplinary organisation focused in the areas of civil, environmental & waste management, infrastructure consultancy, real-estate and industrial parks development with specific emphasis on public-private partnership (BOO/BOOT/BOT) projects.**

### CIVIL ENGINEER - WASTE TO ENERGY PROJECTS - BLR

**Job Profile:** Responsible for construction of power plants such as TG hall, TG deck (high vibrating equipment), boiler foundations for fans, pumps, reciprocating compressors, electric transformers, fuel & ash handling, RCC chimney etc.
**Experience:** 7-10 years
**Location:** Bangalore
**E-mail:** msureshkumar@ramky.com
**Job Code: CJ172680**

### AUTOMOBILE ENGINEERS/WORKSHOP MANAGERS

**Job Profile:** Should control a fleet of around 25 heavy vehicles including trucks, JCBs, dozers and other LCVs, drivers, mechanics, operators and helpers
**Experience:** 4-15 years
**Location:** Delhi, Kolkata & Bangalore
**E-mail:** msureshkumar@ramky.com
**Job Code: CJ166851**

Ekartha

**Ekartha is a US-based software development company, which provides software products and services in the area of On-Demand Software or Software-as-a-Service (SaaS).**

### APPLICATION DEVELOPER (J2EE)

**Job profile:** You will participate in designing and building on-demand and SaaS enabled software. You will use Web 2.0 and latest open source technologies to design and develop On-Demand applications
**Experience:** 2-5 years
**Location:** Pune
**E-mail:** jobs@ekartha.com
**Job Code: CJ180773**

### BUSINESS ANALYST KPO

**Job profile:** Your job profile would be to receive training on the home loan market in the US; studying loan programmes and rate sheets, read and interpret data relating to home loans in the United States
**Experience:** 0-3 years
**Location:** Pune
**E-mail:** jobs@ekartha.com
**Job Code: CJ138400**

### PLATFORM DEVELOPER (J2EE)

**Job profile:** You will participate in designing and building a platform for On-Demand and SaaS enabled software. Your most vital asset will be your knack for innovation and your ability to conceptualise new technologies
**Experience:** 5-8 years
**Location:** Pune
**E-mail:** jobs@ekartha.com
**Job Code: CJ138568**

**IPsoft, formed in 1998, is a leading managed service provider, offering converged solutions to systems, network, database and applications management for its customers.**

### SENIOR LINUX ADMINISTRATORS/LINUX GURUS

**Job profile:** Knowledge of basics Unix concepts, file systems, permissions, ACLs, kernel configuration, exposure to managing servers remotely using DRAC, ILOM, KVM, ALOM, HMC consoles
**Experience:** 5-15 years
**Location:** Bangalore
**E-mail:** ubhaskar@ipsoft.com
**Job Code: CJ180744**

### SENIOR WEBHOSTING ADMINISTRATOR

**Job profile:** Strong troubleshooting and administration skills in application servers like Weblogic 8.x, 9.x and WAS 5.x, 6.x. Proficient in Solaris or Linux or Unix
**Experience:** 3-13 years
**Location:** Bangalore
**E-mail:** ubhaskar@ipsoft.com
**Job Code: CJ181682**

KRISH IT SOLUTIONS

**Krish IT Solutions Private Limited, based at Chennai, India, is an offshore solution delivery centre for SAP implementation. It is a subsidiary of CDP Solutions LLC.**

### SAP PRESALES CONSULTANT

**Job profile:** Should work with both SAP R/3 and SAP Business One environment. Minimum 10 years experience required in sales, in which 2 years SAP experience must
**Experience:** 10+ years
**Location:** Chennai
**E-mail:** prem@krishtechnologies.com
**Job Code: CJ163608**

### SAP MANAGER

**Job profile:** The consultant should have experience in all modules, should be able to meet the deadline and co-ordinate with the vendors and consultants, and should have done implementation, rollouts and support
**Experience:** 2-10 years
**Location:** Delhi, Chennai, Hyderabad/Secunderabad
**E-mail:** prem@krishtechnologies.com
**Job Code: CJ136110**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

partners at CXO level, will be responsible for expansion in India and will assist in recruitments as well
**Experience:** 20-30 years
**Location:** Delhi, Gurgaon & Noida
**E-mail:** jobs@globalhunt.in
**Job Code: CJ180992**

**Technosys Staffing Services is a deep-rooted fast growing company in India. The company is the outcome of TM Services and VINTECH IT Solutions**

### CATIA V5 PROFESSIONALS
**Job profile:** Good in GSD, part design, sheet metal, part drawing and assembly module, knowledge of Catia V5 is must
**Experience:** 2-10 years
**Location:** Bangalore
**E-mail:** mecatia@technosysss.co.in
**Job Code: CJ181348**

### GLOBAL COMMODITY MANAGER-ELECTRONICS
**Job profile:** The incumbent will support HPS globally to ensure that sourcing strategies are fully implemented and executed
**Experience:** 6-10 years
**Location:** Pune
**E-mail:** mecatia@technosysss.co.in
**Job Code: CJ181380**

### TEST CONSULTANT
**Job Profile:** Candidate should have at least 5 years experience on banking domain and transactions, general banking experience, STP processing, trade and payment processing
**Experience:** 5-8 years
**Location:** Netherlands
**E-mail:** mecatia@technosysss.co.in
**Job Code: CJ181381**

**The Human Capital, founded by professionals with rich experience of different IT domains, it believes it understands better the needs of both the customer and the candidate and seeks to strike a match, which adds value for both.**

### DATABASE DEVELOPMENT MANAGER
**Job Profile:** Candidate will contribute to the full life cycle of product development through design, development, configuration and maintenance of modules
**Experience:** 10-20 years
**Location:** Noida
**E-mail:** uday@thehumancapital.net
**Job Code: CJ181692**

### PROJECT MANAGER/SENIOR PROJECT MANAGER
**Job Profile:** Product development & support life cycle, for real time telecom applications, familiarity and development knowledge of case-tools based product
**Experience:** 6-16 years
**Location:** Gurgaon
**E-mail:** uday@thehumancapital.net
**Job Code: CJ181691**

### SENIOR FIRMWARE ENGINEER
**Job Profile:** Experience in real-time C and C++ and Python is required. Knowledge and experience in real-time embedded software design is required
**Experience:** 4-10 years
**Location:** Bangalore
**E-mail:** uday@thehumancapital.net
**Job Code: CJ181684**

**The client is an Indian multinational organisation that has executed projects in over 35 countries, a leading provider and developer of information technology-based GeoSpatial Information Systems (GIS), engineering design services, software development, advanced security and network management, and ERP consulting and deployment services worldwide.**

### ASP.NET, VB.NET,C#
**Job profile:** Should have good knowledge and with 4-10 years experience in ASP.NET, VB.NET, C#
**Experience:** 4-10 years
**Location:** Mumbai
**E-mail:** ramila@mangalamjobs.com
**Job Code: CJ181577**

### NOC ENGINEERS
**Job profile:** Should have good knowledge in remote support, networking, DNS, DHCP, TCPIP, FTP, HTTP
**Experience:** 1-5 years
**Location:** Mumbai
**E-mail:** varsha.c@mangalamjobs.com
**Job Code: CJ181159**

### SENIOR DEVELOPERS
**Job profile:** Should have worked on atleast 3-4 projects on documentum with Java background
**Experience:** 4-8 years
**Location:** Mumbai
**E-mail:** archana@mangalamjobs.com
**Job Code: CJ181006**

**Concorde Management Consultants was launched eight years ago as an executive search organisation dedicated to match professionals with compatible jobs that would take both their careers and the company concurrently upwards.**

### IC VALIDATION PROJECT MANAGER
**Job profile:** Should have minimum 12 years of experience in the area of IC validation, should have led complete validation of at least 4-5 complex SoCs, preferably for 90nm and beyond
**Experience:** 10-16 years
**Location:** Delhi & Bangalore
**E-mail:** amit@cmctechjobs.com
**Job Code: CJ181655**

### ANALOG TECHNICAL MANAGER
**Job profile:** Should provide technical leadership in analog engineering to lead a group of analog engineers to design and develop low-power mixed-signal ICs silicon proven analog IP or mixed-signal SoC - in leading-edge sub-micron technologies
**Experience:** 10-15 years
**Location:** Delhi & Chennai
**E-mail:** amit@cmctechjobs.com
**Job Code: CJ172325**

### ASIC ARCHITECT
**Job profile:** Should have 8-10 years of experience, responsible for overall architecture of the SoC for DTV applications, owner of test plan for functional testing at system level
**Experience:** 8-12 years
**Location:** Hyderabad
**E-mail:** amit@cmctechjobs.com
**Job Code: CJ177906**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# Jobs in Senior Management

- **COMPANY SECRETARY**
  **Company:** Job Cookies
  **Job profile:** The suitable candidate will function as company secretary for a public limited company
  **Experience:** 12-15 years
  **Location:** Chennai
  **E-mail:** rani@jobcookies.com
  **Job Code: CJ181542**

- **AVP - IT PROGRAM MANAGER**
  **Company:** Plus Hrms
  **Job Profile:** Will be responsible for governance of IT projects executed by the O&S function. Will support project managers in ensuring success of projects. Responsible to ensure that projects meet cost, time and quality benchmarks
  **Experience:** 12-16 years
  **Location:** Mumbai
  **E-mail:** kumaravel@plushrms.com
  **Job Code: CJ181199**

- **CORPORATE CIO: TELECOM GSM INDUSTRY**
  **Company:** GlobalHunt India Pvt. Ltd.
  **Job profile:** Should define IS/IT strategy, provide strategic direction to senior management on technology, will be heading all circles, reported by circle head, decide & manage business relationships with key IT vendors
  **Experience:** 20-30 years
  **Location:** Delhi, Gurgaon & Noida
  **E-mail:** jobs@globalhunt.in
  **Job Code: CJ180992**

- **DIRECTOR HR**
  **Company:** Mancer Consulting Services
  **Job profile:** The incumbent will be responsible for developing policies and directing and co-ordinating HR activities such as employment, compensation and benefit, ER, training and employee services
  **Experience:** 10-14 years
  **Location:** Gurgaon
  **E-mail:** satya@mancerconsulting.com
  **Job Code: CJ172280**

- **GM - INVESTOR RELATIONS**
  **Company:** CEO Talent Search
  **Job Profile:** Responsible for strategic planning and implementation of domestic and global Investor relations, expertise in client relationship management
  **Experience:** 15-25 years
  **Location:** Mumbai
  **E-mail:** priya@ceotalentsearch.com
  **Job Code: CJ181213**

- **DGM FINANCE**
  **Company:** Global Management Consultant
  **Job profile:** The candidate has to take care of all types of accounts as well as the financial dealing of the company
  **Experience:** 8-15 years
  **Location:** Delhi, Noida & Gurgaon
  **E-mail:** globalmanagement2007@yahoo.com
  **Job Code: CJ177353**

- **GM - HI TECH PROJECT**
  **Company:** JSK Marketing Pvt. Ltd.
  **Job profile:** Responsible for sourcing the products from China and other countries including India. Sales will be mostly to institutions, direct users and also OEM
  **Experience:** 9-20 years
  **Location:** Mumbai
  **E-mail:** jskmpl@hotmail.com
  **Job Code: CJ168633**

- **AVP HR AND TRAINING**
  **Company:** Client of Mangalam
  **Job profile:** Will have overall responsibility in human resource, recruitment, training, HR operations and employee relations
  **Experience:** 10-20 years
  **Location:** Delhi
  **E-mail:** ramya@mangalamjobs.com
  **Job Code: CJ180305**

- **DIRECTOR HR**
  **Company:** Mancer Consulting Services
  **Job profile:** Responsible for developing policies and directing and co-ordinating HR activities such as employment, compensation and benefit, ER, training and employee services
  **Experience:** 10-14 years
  **Location:** Gurgaon
  **E-mail:** satya@mancerconsulting.com
  **Job Code: CJ172280**

- **GM-MARKETING**
  **Company:** Club One Air
  **Job profile:** Creation and managing of marketing budgets/spends, various collaterals for product verticals
  **Experience:** 10-15 years
  **Location:** Delhi, Gurgaon & Noida
  **E-mail:** murli@cluboneair.com
  **Job Code: CJ175350**

- **GENERAL MANAGER - MARKETING**
  **Company:** Pegasus Staffing Solutions
  **Job profile:** The incumbent must have atleast 7-10 years of marketing of machineries/industrial products relating to construction/wood working etc.
  **Experience:** 7-10 years
  **Location:** Bangalore
  **E-mail:** sales@pegasusstaffing.com
  **Job Code: CJ171830**

- **COUNTRY MANAGER - ELECTRONICS**
  **Company:** Pegasus Staffing Solutions
  **Job profile:** The incumbent must be ideally a BE/BTech electronics with preferably an MBA with atleast 10-15 years of sales & marketing experience out of which atleast 5 years should be in managerial capacity
  **Experience:** 11-16 years
  **Location:** Bangalore
  **E-mail:** sales@pegasusstaffing.com
  **Job Code: CJ173689**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

# Telcordia offers differentiated solutions to telecom challenges

**Give us an overview of the company?**

Part of the original Bell System in the United States, Telcordia helps leading innovative communication service providers (CSPs) worldwide drive business results by deploying, at scale, innovative and profitable new services via any technology, network or device. Headquartered in the United States with 24 global offices, the company's foundation stems from years of technology innovation evidenced by the more than 800 patents issued to Telcordia to date. Telcordia offers the ability to evolve their networks, create and deploy advanced services and ultimately enhance their customers' experience by transforming service concepts into viable market offerings.

**What is Telcordia's presence in India?**

In June 2006, Telcordia announced 'Telcordia Technologies India Private Limited' headquartered in Gurgaon and opened the Telcordia India Labs at Chennai, located in the state-of-the-art Tidel Park facility headed by Mr. Rajesh Rathod, with a team of about 100 engineers.

**What is Telcordia's market differentiator?**

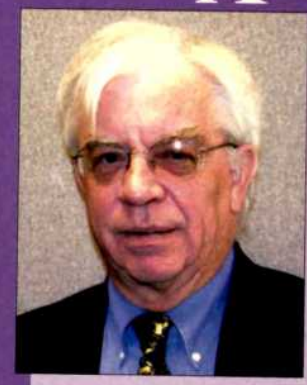
Telcordia is differentiated from others by way of its: in-depth market experience including decades of solving the most complex industry telecom challenges; reach through the industry's greatest breadth of service delivery and operational support solution's (OSS), thought leadership, partner expertise and innovation through the company's proven track record working with market leading CSPs around the world.

From innovative real-time mobile service delivery solutions, that enable CSPs to differentiate themselves through highly personalised and interactive services to industry leading next generation OSS offers, Telcordia continues to anticipate the industry challenges and be among the first to deliver the solutions that propel communications. Telcordia is also the industry-leading provider of number portability and interconnection solutions, with more than 15 years of experience in building and deploying centralised clearinghouses worldwide.

**What are the innovative products that you have launched recently?**

Telcordia is focused on helping CSPs turn the complexities of convergence into competitive

Q&A



**Pat Donnelly,**
Executive Director, India,
Service Delivery Solutions,
Telcordia Technologies India Pvt. Ld.

advantage, through rational network evolution, new services, and enhanced customer experience. For more than two decades, Telcordia has supported leading communication companies around the globe with a robust, end-to-end portfolio of software, services, and research that spans key functions including planning and engineering, fulfillment, service delivery, service assurance and number portability.

Telcordia's expertise and in-region work has brought a variety of products to market. From the service delivery perspective, for instance, Telcordia offers a market-leading Service Delivery Suite, powered by the Telcordia® Converged Application Server. This IMS ready platform scales to millions of subscribers with greater than five 9s redundancy. It allows operators to create and deliver IP, fixed, mobile, converged and interactive services with low ongoing operational costs, and it integrates easily into existing network types and BSS/OSS environments using open interfaces, protocols, and APIs. The key components of the suite include:

- **Telcordia® Real-Time Charging:** A flexible, affordable convergent charging solution that can handle the demands of prepaid, postpaid, voice-data-content, fixed-mobile-cable and circuit-packet convergence.
- **Telcordia® Real-Time Policy:** This solution allows CSPs to put the customer at the center of the user experience, creating service environments that are tailored to their individual needs.
- **Hosted and Managed Services Solutions:** Designed to help a new breed of innovative companies extend their brands and services into the mobile market through the MVNO model, this solution opens up new revenue opportunities without the costs associated with building and managing a complex mobile network infrastructure.

From a numbering perspective, Telcordia is the undisputed market leader offering carriers an end-to-end number portability solution complete with consulting and advisory services, software systems and managed services.

**What is Telcordia's differentiation in the service delivery space specifically?**

The Telcordia Service Delivery Suite is currently supporting more than 40 CSPs around the world by:

- Enabling fast introduction of revenue-generating, innovative services
- Supporting flexible tariffs, service packages, and real-time cross-product promotions
- Increasing customer 'stickiness' by allowing users to personalise their services to match their needs
- Enabling high performance, real-time interactive services and charging
- Providing a single platform for any service, any business, and any payment model
- Supporting flexible delivery models, including Managed Services hosting, to allow customers to rapidly deploy new capabilities at low risk
- Providing an open, multivendor service delivery environment that leverages existing investment in business and network assets.

**What are the goals for the coming year?**

Telcordia see's India's as a key growth market. With a strong and growing customer base, the company's goals for 2008 are centered on sustaining growth, deployment of technology innovations and overall enablement of advanced telecom services in the region. Telcordia plans to expand our presence with new customers who are looking to get offers to market more quickly, reduce their operational cost with convergent solutions and differentiate their services with advanced service creation capabilities.

***Source: www.telcordia.com***

# JOBS IN MANUFACTURING & ENGINEERING

- **AUTOMATION ENGINEERS**
  **Company:** ASM Engineers
  **Job profile:** Should be electronic or instrumentation diploma/degree holders with 1 year experience in automation
  **Experience:** 1-4 years
  **Location:** Gurgaon
  **E-mail:** anil.asme@gmail.com
  **Job Code: CJ181579**

- **ELECTRICAL ENGINEER/OFFICER**
  **Company:** Nexgen Recruitment Services Pvt. Ltd.
  **Job profile:** The candidate should be able to create a test plan and test suite for the new and existing application, ensuring high quality deliverable by working on test automation in unit testing and QA testing
  **Experience:** 0-4 years
  **Location:** Haridwar
  **E-mail:** Sonal@nexgenservices.co.in
  **Job Code: CJ181511**

- **MECHANICAL ENGINEER**
  **Company:** Finolex Cables Ltd.
  **Job profile:** Responsible for day-to-day activities of production line set up, corrective & preventive action/closure of 8D/QN, material movements to/from stores
  **Experience:** 0-1 years
  **Location:** Bardez, Bicholim, Mapusa & Panaji
  **E-mail:** sonal@nexgenservices.co.in
  **Job Code: CJ181522**

- **FACTORY MANAGER**
  **Company:** GNG Group
  **Job profile:** Responsible for proper working of the factory, should motivate employees towards their work and making them realise their potential
  **Experience:** 2-4 years
  **Location:** Gurgaon
  **E-mail:** careers@gnggroup.com
  **Job Code: CJ179765**

- **BIW/TRIMS**
  **Company:** Client of Mangalam
  **Job profile:** BIW design with good knowledge in assembly and welding process IW part design and test plan/regulation, experience in Catia V5 is must
  **Experience:** 4-6 years
  **Location:** Pune
  **E-mail:** archana@mangalamjobs.com
  **Job Code: CJ181572**

- **SENIOR ENGINEER (PLC)**
  **Company:** A client of Personnel Network
  **Job profile:** BE electronics/electrical/ instrumentation with at least 3-5 years excellent experience in PLC projects, implementation, co-ordination and installation
  **Experience:** 3-5 years
  **Location:** Ghaziabad
  **E-mail:** engg.pn@spectranet.com
  **Job Code: CJ181550**

- **SITE SUPERVISOR**
  **Company:** GNG Group
  **Job profile:** Should manage and direct the site regulation section through supervision of site development and on-going projects
  **Experience:** 1-2 years
  **Location:** Delhi, Gurgaon & Noida
  **E-mail:** careers@gnggroup.com
  **Job Code: CJ150270**

- **SENIOR MECHANDISER**
  **Company:** Global Management Consultant
  **Job profile:** The candidate should have to work with the buying house. The candidate have to independently handle the accounts
  **Experience:** 5-7 years
  **Location:** Delhi, Gurgaon & Noida
  **E-mail:** globalmanagement2007@yahoo.com
  **Job Code: CJ177364**

- **DESIGN ENGINEER - ICEM**
  **Company:** Client of Mangalam
  **Job profile:** Experience on class A surface creation using Catia V5 and ICEM Surf, experience in Catia V5 is must
  **Experience:** 2-6 years
  **Location:** Pune
  **E-mail:** varsha.c@mangalamjobs.com
  **Job Code: CJ181523**

- **CONTRACTS MANAGER**
  **Company:** Geodesic Techniques Pvt. Ltd.
  **Job profile:** Responsible for preparation of tender specifications, finalisation of requirements & cost estimates, analysis of quotations, finalisation of technical and commercial requirements
  **Experience:** 8-20 years
  **Location:** Delhi & Bangalore
  **E-mail:** hr@geodesictechniques.com
  **Job Code: CJ181560**

- **ELECTRICAL MAINTENANCE ENGG**
  **Company:** Morgan Industries Limited
  **Job profile:** BE electrical with 6-7 years experience, dee with 10 years experience in total electrical maintenance of a plant
  **Experience:** 6-11 years
  **Location:** Cuddalore
  **E-mail:** hr@morganind.com
  **Job Code: CJ181626**

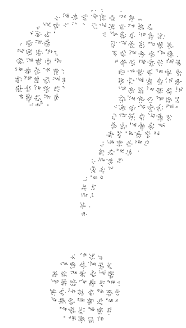
- **PLC DESIGN ENGINEER**
  **Company:** Meksol India
  **Job profile:** Candidates should have good knowledge of PLC design
  **Experience:** 1-2 years
  **Location:** Bangalore
  **E-mail:** veena_meksolindia@rediffmail.com
  **Job Code: CJ170584**

- **ENGINEER**
  **Company:** Wintek Technology (India) Pvt. Ltd.
  **Job Profile:** Should have good experience in cost controlling, knowledge in clean room management, training new employees, equipment adjustment/maintenance/safeguard
  **Experience:** 0-2 years
  **Location:** Chennai
  **E-mail:** raj@wintek.in
  **Job code: CJ181500**

- **DESIGN EXECUTIVE - ELECTRICALS**
  **Company:** Prime Placements
  **Job profile:** Candidate should be graduate or diploma in electrical engineering with relevant experience in design, preferably in rotating electrical machines
  **Experience:** 2-9 years
  **Location:** Mumbai
  **E-mail:** dawradm@vsnl.com
  **Job Code: CJ145323**

*For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050*

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal



# what next?

## CLARITY BEGINS NOW.

## With a 6 month, full time course in International patents & IP services

**For the first time in India, earn dual certification in International Patents and Intellectual Property Services from the University of Washington,** CASRIP (Center for Advanced Study & Research on Intellectual Property), USA and GIIP (Global Institute of Intellectual Property), India, a premier training institute, recognized for a series of successful IP Programs.

### The program is:

- A full time, six month program
- In partnership with STG, India
- Only for 25 students at each location - Delhi, Mumbai, Bangalore & Chennai. Eligibility criteria includes an online entrance test, screening and approval of the candidate's application by the GIIP selection committee

### The program has:

- International training with a comprehensive coverage of US, Indian and European IP laws and processes
- A highly qualified and experienced faculty from the University of Washington, IIT Delhi, Silicon Valley Seminars, leading US and Indian law and patent firms, USPTO, EPO, WIPO and an in-house team of specially trained professors from the US
- Academic and practical knowledge pertaining to business, technical and legal aspects of Patents and IP

### The program is designed for:

- Graduates/Post-Graduates/PhDs in the field of science, engineering, bio-technology, pharma, IT and other technical fields
- Domain experts, research scholars, legal professionals (LL.B. & LL.M.) with a technical background

### This program offers global career prospects:

With leading MNC's, corporate houses, KPO's & LPO's, law firms, govt. and private institutions

(GIIP is proud of the number and diversity of companies employing our recent graduates)

### With this program, you can be:

- A patent engineer/ patent analyst
- Patent licensing/valuation expert
- Patent agent/prosecutor
- IP consultant
- Technical Advisor in IP litigation

### Scholarships:

Scholarships and Corporate Sponsorships available for select candidates

- ***Program commences*** May 2008
- ***Apply online or contact*** GIIP, Delhi office (9.30 am - 5.30 pm) or email us at admissions@giipinfo.com

**HDFC Education Loan available for eligible candidates**

***Now your road to success is totally clear!***

TM ® © TM

TRAINING CENTRES: BANGALORE, CHENNAI, DELHI, MUMBAI

UNIVERSITY of WASHINGTON

CASRIP

GIIP

STG

45, First Floor, Okhla Indl Area, Phase III, New Delhi 110 020
Ph: +91-11-3088 4000 - 02 • Mobile: +91-98997 55902 • Website: www.giipinfo.com

ENVIRONMENT

# Who Cleans Up Wins

**Four nations enter the fray in the first carbon-neutral world cup**

**GOING GREEN:** Norwegian company Statoilhydro's carbon-capture project at the Sleipner gas field

FOUR COUNTRIES HAVE ENTERED A RACE TO become the world's first carbon-neutral state. Iceland, Norway, Costa Rica and New Zealand will compete in what is being referred to as the 'carbon-neutral world cup'. The quartet announced its intention at the annual meeting of the Governing Council of the United Nations Environment Programme (UNEP), earlier this year in Monaco.

To achieve carbon neutrality, each country will have to balance out emissions from industry, transport, agriculture and other carbon-producing activities. This can happen in two ways. The first is to eliminate or reduce carbon from existing emission sources by making these more energy efficient. The second is to balance out unavoidable emissions from sources such as factories by planting more trees or setting up carbon capture units. The best efforts will marry both solutions, but will take time for the countries to put in place.

Norway, with 87,602 thousand metric tonnes of carbon emissions a year (0.3 per cent of the world's total), is the largest emitter among the four. However, Norway's big advantage is that 95 per cent of its power already comes from zero-emission hydroelectric power stations. It also operates the world's oldest carbon capture project — at Sleipner in the North Sea. Developed by StatoilHydro, a Norwegian oil company, Sleipner has been putting away 1 million tonnes of CO2 each year since 1994. Electric vehicles (EVs), which have no emissions, will also be a big asset in Norway's attempt. These offer a double benefit because the energy used to charge EVs comes mostly from clean sources. Norway already gives generous subsidies and incentives to promote EV usage. The country plans to get carbon neutral by 2030.

New Zealand is the next highest carbon emitter with 31,570 thousand tons each year — less than 0.1 per cent of the total global emissions. Its government plans to shift up to 90 per cent of its energy to renewable sources by 2025, up from 70 per cent today. It also wants to halve its vehicular emissions by 2040. EVs will play a big

role here just as they will in Norway. Helen Clark, New Zealand's prime minister, says the country will also introduce a national emissions trading programme for industries by 2013. The programme will help heavily polluting companies buy carbon credits from lesser-polluting companies. This will encourage companies to be more efficient so they can generate revenues from carbon credits or reduce expenses on them. New Zealand will also increase its already substantial forest area to act as a larger carbon sink for the emissions it produces. The country's main problem, however, is the farming industry, which produces half its emissions.

The third in line is Costa Rica, the only developing economy in the contest. It believes it could win the carbon neutral world cup. The country already has one interesting first to its credit — it has no standing military. Today, 80 per cent of Costa Rica's energy comes from renewable sources, a remarkable achievement for a developing country. It emits roughly 6,400 thousand tonnes of carbon each year.

Costa Rica will plant seven million trees this year to act as a carbon sink, up from five million last year. Also, it says that the banana industry, its largest exporter, has committed to neutralising carbon produced within the industry. However, illegal logging and a booming tourism industry are causes for concern. Loggers are literally undercutting Costa Rica's large-scale tree planting drive, while an increasing number of airplanes — the world's fastest growing sources of carbon emissions — will only add to its emissions.

Iceland probably does best when it comes to clean energy generation. Nearly 99 per cent of the country's energy comes from geo-thermal plants or hydroelectric stations. That's why it has among the world's lowest overall emissions — just 2,229 thousand tonnes or less than 0.01 per cent of the world total. Despite the figures, Iceland believes that carbon emissions are a threat to its largest industry — fishing. Climate change and local pollution, both caused by carbon emissions, are threatening fish stocks around the island. Secondly, Iceland's fossil-fuel powered vessels depend entirely on imported oil to stay running. The government believes this is a serious business risk, in case oil supplies get too expensive or dwindle. That is why the country is now experimenting with hydrogen-powered fuel cells for boats to increase energy security and reduce carbon emissions.

The ambition of these countries is laudable, but their efforts could be deceptive. Together, they produce less than 0.5 per cent of the world's total carbon emissions. No doubt, the substantial share of renewables in their overall energy mix is a big reason for this. Burning fossil fuels for energy emits more than 6,000 teragrams of carbon and carbon equivalents each year; the next highest source, cement manufacturing, emits a relatively low 60 teragrams (1 teragram = 109 kg). So, renewable and clean energy sources such as wind, solar, hydro and nuclear will be important factors.

BLOOMBERG

**POWERFUL POLLUTER:** A thermal power plant coming up in India — a large carbon emitter

Perhaps the contest would have been more meaningful if the world's four largest emitters — the US, China, Russia and India — were to compete. According to the Washington DC-based Earth Policy Institute, founded by environmental pioneer Lester Brown, these four countries already emit roughly 50 per cent of global carbon emissions — a whopping 13,927,560 thousand tonnes each year.

Alarmingly, the big four's appetite for fossil fuel-based energy production is only set to grow. Last year, the International Energy Agency estimated that China and India alone accounted for 45 per cent of the world's growth in energy demand.

Still, the project shows that achieving carbon neutrality is possible, even in a developing economy such as Costa Rica. "It's an idea whose time has come," says Achim Steiner, executive director of the UNEP. "(It is) driven by the urgent need to address climate change and the abundant economic opportunities emerging for those willing to embrace a transition to a green economy."

Pierre Mario Fitter
*pierre.fitter@abp.in*

# Tech Talk

## SCIENCE BUZZ The fortnightly update on innovations and tech policies

### Deadly Plastic

The next time you reach for a plastic water bottle, think twice. The US National Toxicology Program says a chemical called Bisphenol A that is often present in plastic bottles and containers can cause birth defects and affect the development of certain regions of the brain in infants, among other problems. Canada is already considering banning baby plastic bottles that contain the chemical. India has no official response.

### Diabetics Rejoice

The decades-long hunt for an insulin pill might be over. Nicholas Peppas, a scientist at the University of Texas, has developed a gel which, when modified with wheat germ extracts, expands in the stomach and protects the insulin inside from being broken down. When it reaches the intestines, it gets attached to the intestinal walls. If the invention passes tests and trials, it could free diabetics from having to inject themselves with insulin.

### Buckyball Magic

Flash memory sticks appear cheap but cost quite a bit as they die quickly. The heat they generate when used often reduces their life to just about a year. Now, scientists at Cornell University say they have solved this problem by developing a material of a type called fullerenes or buckyballs. Fullerenes are spherical molecules of carbon, which when added to flash memory sticks, reduce the voltage they use, thereby prolonging their life.

### Your PC Will Talk

Your PC could talk to you in 20 years' time. Queen's University Belfast's project SEMAINE involves developing a Sensitive Artificial Listener (SAL) system. SAL will perceive a human user's facial expression, gaze, and voice and engage with them. It will be able to adapt its own performance and pursue different actions, depending on the non-verbal behaviour of the human user.

## HOW THINGS WILL WORK

# Solar Satellites For The Future

AP

A SATELLITE TO FIGHT WARMING: Geostationary satellites beaming solar energy could help check global warming

FOR A LONG TIME, SPACE VISIONARIES have dreamt of an Earth in which all our energy needs are met by solar satellites orbiting the earth. Now such satellites are getting closer to reality, with the first one likely to power a military base on the Earth by 2015. The California-based private Space Island Group wants to do it faster, by 2012.

A satellite can collect eight times more energy in space than from a similar area on the Earth. Solar panels in satellites can do better than those on earth for another reason: the sun does not set in space. So the power supply can be uninterrupted. Microwaves can transmit power to any location on the Earth in any atmospheric condition — even during intense storms. This is why the US military is much interested in the idea.

NASA had in 1997 studied the feasibility of space solar satellites. In 1999, it had started a space solar power exploratory programme. By early this decade, technology had been developed that could convert solar energy into electricity at 50 per cent efficiency.

A few months ago, a Pentagon report said the US stood to gain considerably by investing and taking the lead on developing space-based solar power. The International Space Station, although in a low Earth orbit, could be the first testing ground for this concept. Scientists at NASA had stated that the cost of electricity produced by solar satellites could be as low as 7 cents in 15-25 years.

Reusable launch vehicles and electric propulsion are some of the technologies that can bring the cost down. In any case, we will see an experiment in less than a decade.

rai
RETAILERS ASSOCIATION OF INDIA

NASSCOM®

ReTechCon™
(Retail Technology Conclave)

rai's 4th Annual Retail Technology Conclave

# Managing Growth & Innovating the future

**05 - 07 May, 2008 | Hyderabad International Convention Centre (HICC), Hyderabad**

## Programme Schedule at ReTechCon 2008

### Day 0 Monday, May 05, 2008

**Exclusive CEO/CIO Reception**

| | |
|---|---|
| *Welcome* | **Gibson G Vedamani**, CEO, Retailers Association of India (RAI) |
| *Opening Remarks* | **B. S. Nagesh**, Chairman, RAI & MD, Shoppers' Stop Ltd. |
| | *Presentation by* : Wipro Technologies |
| | *Presentation by* : CISCO Systems India Pvt. Ltd. |
| *Entertainment Programme* | |
| *Networking Cocktail Dinner* | |

### Day 1 Tuesday, May 06, 2008

| | |
|---|---|
| *Welcome & Opening Remarks* | **Gibson G Vedamani**, CEO, Retailers Association of India |
| *NASSCOM Chairman's Address* | **Dr. Ganesh Natarajan**, Chairman, NASSCOM & Deputy Chairman and MD, Zensar Technologies |
| *Keynote Presentation* | **Managing Growth and Innovating the Future**<br>**Peter Mahler**, CIO, Coles Group (till March 2008) |
| *Key Sessions* | **Enabling Customer Delight Through Innovative Retail Solutions**<br>*Chair* : **Jan De Jong**, Worldwide Industry Executive (Retail), Microsoft & Board Member, NRF<br>*Speakers* : **David Stover**, VP - IBU, SAP Retail<br>**Ushir Bhatt**, Executive Board Member, Future Group<br>**Rod Talbot**, Regional Vice President, Asia Pacific, JDA Software Group Inc., Singapore<br>**Arun Gupta**, CIO, Shoppers' Stop Ltd |
| | **Efficient Checkouts: Challenges and Path Forward**<br>*Speakers* : **Owen Chen**, CEO, Posiflex<br>**Tim Beccara**, VP - Sales, Posiflex |
| | **Global Trends in Retail IT**<br>*Chair* : **Arun Gupta**, CIO, Shoppers' Stop Ltd.<br>*Speaker* : **Sam Caltabiano**, Senior Director, Demand Chain Strategy & Solutions, JDA Software Asia Pte. Ltd. |
| | **Driving Transformation in Retail for Improved Competitiveness**<br>- A Wipro Panel |
| | **The next steps in Retail and Retail Store Architecture**<br>*Chair* : **Rajiv Prakash**, Director - Business Development & Strategy, Future Knowledge Services<br>*Speaker* : **Douglas Bellin**, Industry Lead, CISCO Asia Pacific |
| | **Business Analytics in Retail**<br>*Chair* : **Pradeep Kalyal**, VP, Business Process, Aditya Birla Retail<br>*Speaker* : **Gaurav Sri Krishna**, Director - Retail, Microsoft India |
| *Networking Cocktail Dinner* | |

### Day 2 Wednesday, May 06, 2008

| | |
|---|---|
| *Key Sessions* | **Fresh Connect - A new business model to solve the FFV Woes of Organised Retail** - A Infosys Panel |
| | **In-Store Grocery Retailing: Technology & Market Trends**<br>*Chair* : **Vikram Idnani**, Head IT, Trent Ltd. (Westside)<br>*Speaker* : **Ashok Malhotra**, Managing Director, Mettler Toledo |
| | **Challenges & Benefits of Item-level RFID - Case study of a Leading Indian Fashion Retailer**<br>*Chair* : **O. P. Bansal**, Divisional CIO, ITC - LRBD<br>*Speaker* : **Vivek Kamra**, Head Business Consulting Group, ITC Infotech |
| | **Retail 2.0 - The Next Phase**<br>*Chair* : **Meherlar Patel**, Head - IT & Corporate Quality, Globus Stores<br>*Speaker* : **Priyadarshi Mohapatra**, Head Retail Practice, Sun Microsystems India Pvt. Ltd. |
| *Panel Discussions* | **The Application of International IT Standards in Indian Retailing - Are we yet Beginners?**<br>*Chair* : **Ushir Bhatt**, Executive Board Member, Future Group<br>*Speakers* : **Arun Gupta**, CIO, Shoppers' Stop Ltd<br>**Pradeep Kalyal**, Vice President Business Process, Aditya Birla Retail<br>**Jan De Jong**, Worldwide Industry Executive (Retail), Microsoft & Board Member, NRF<br>**Ravi Mathur**, CEO, GS1 India |
| | **Innovations in Retail IT: Do they provide the spark to differentiate one retailer from the other?**<br>*Chair* : **Arun Gupta**, CIO, Shoppers' Stop Ltd<br>*Panelists* : **Rajiv Prakash**, Director - Business Development & Strategy, Future Knowledge Services<br>**Meherlar Patel**, Head - IT & Corporate Quality, Globus Stores<br>**Vikram Idnani**, Head IT, Trent Ltd. (Westside)<br>**O P Bansal**, Divisional CIO, ITC - LRBD<br>**Gaurav Sri Krishna**, Director - Retail, Microsoft India<br>**Abel Correa**, Director, Consulting Services Group, JDA Software Asia Pvt. Ltd.<br>**Kumar Rajagopalan**, Retail Solutions Leader, IBM India |

| Delegate Participation Fee | RAI / NASSCOM Members | Non Members | Full-time Students |
|---|---|---|---|
| **ReTechCon 2008 (06 - 07 May 2008)** | **Rs. 2500*** | **Rs. 4500*** | **Rs. 3500*** |

**For online registration**
**www.retechcon.com**

*Fee is inclusive of service tax of 12.36%
Fee includes FREE STAY for 2 nights for RAI Founder and Core members if registered before April 30, 2008

**For more information please contact:**
**Ram Ramachandran**, Mobile: (0) **9833094755**, Email: ram@rai.net.in
**Lawrence Fernandes**, Mobile: (0) **9324089915**, Email: lawrence@rai.net.in

- **Concurrent Workshops on topical retail technology areas**
- **A Technology Expo by leading retail technology companies**
- **Visitors to the Technology Expo - FREE**

Gold Sponsor: POSIFLEX
Silver Sponsors: CISCO, WIPRO, JDA, Microsoft
Bronze Sponsors: METTLER TOLEDO, Motorola
Session Sponsors: Sun, Infosys
TV Media Partners: CNBC TV18, CNBC आवाज़
Magazine Partners: Point of Purchase

SANITATION

# Not On Track!

**UNDESIRABLE STOP:** Train toilets with poor hygiene levels often leave users complaining

**New 'green toilets' could prevent decay of rail tracks because of human waste**

FOUL SMELLS, POOR hygiene and a hole-in-the-floor experience have become hallmarks of the great Indian railway system. This doesn't work for Harvard Business School-baptised management guru Laloo Prasad Yadav. So, in the 2008-09 railway budget, the railway minister set aside Rs 4,000 crore to install 'green toilets' in 36,000 coaches by 2011.

The initiative is the culmination of a process that began in 2005 when the railway ministry approached, amongst others, the Technology Mission on Railway Safety (TMRS) to provide an alternative for open toilets. Apart from sanitation problems, manual cleaning of tracks and nursing a poor image on international fora, the railways were also paying a heavy price due to track corrosion. On particularly heavy routes, such as morning hours between Mumbai and Surat, human waste would render tracks, which generally survive for 30 years, useless in two. G. Raghuram, professor at IIM Ahmedabad, estimates that 274,000 litres of excreta is dumped on rail tracks every day.

While vacuum suction toilets are discharge free, passenger load in Indian railways, unlike aircraft and railways in other countries, is very high: 1.4 crore daily.

Headed by Vinod Tare, professor of environmental engineering and management at IIT Kanpur, the project under TMRS — using a Rs 2-crore grant by the Ministry of Human Resource Development, the Ministry of Railways and corporations — has developed a 'green toilet' prototype. It involves a regular pan with a water seal. When flushed, the water forms a vortex and the solid gravitates to the centre passing through a hole while water sticks to the sides and separates out. The water is then passed through microfilters and chemically treated before the closed loop takes it back to the tank to be reused for flushing. The container collecting the solid has a 5-day capacity (time taken to travel from Jammu Tawi to Kanyakumari).

"Urbane Industries (based in Chennai) will provide fabrication facilities and we should have our first test run within a month," says Tare. "The costs attached are primarily of yard infrastructure as the only additional components are the separator, microfilter and chemicals." UNICEF has approached Tare's team to modify the prototype for regular household use to solve Aligarh's sanitation problems.

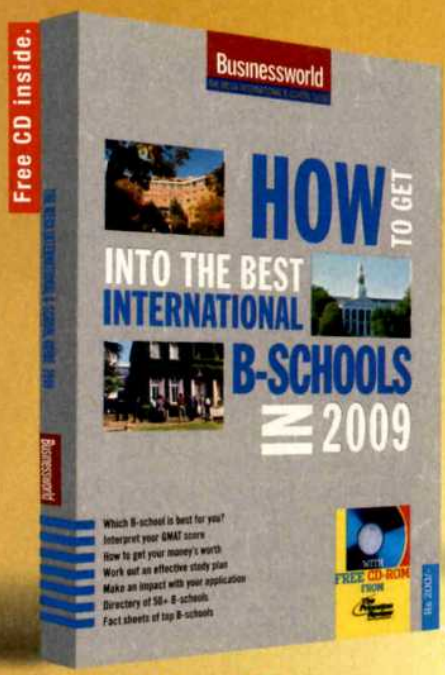
Alternatively, a bio toilet has been developed by the railways' Research Designs and Standards Organisation with US-based Microphor and Faridabad-based Aikon Technology. In this system, the excreta is collected in a tank, which is divided into two chambers. The first contains bacteria that break down waste in a week. The resulting liquid is led into the second section where it is treated with chlorine before disposal. Though it saves water, the bio-toilet comes at a price. For every coach, the railways will have to shell out Rs 8 lakh as equipment cost and Rs 1.5 lakh-2 lakh as annual operations cost. The IITK 'green toilet' reportedly costs Rs 60,000.

Besides, there are doubts over the efficacy of bio-toilets. "We haven't found the disposed product to be treated," says Tare. "It is hard to believe any biological treatment can occur in closed tanks in the absence of oxygen."

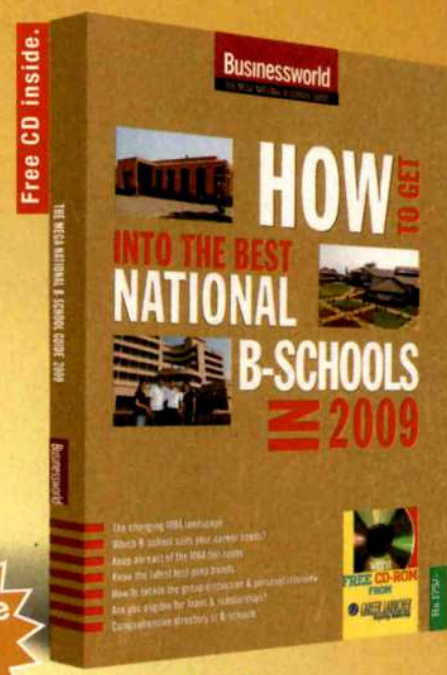
Regardless of which way the ball swings, Indian rail tracks look set to see better days.

*Manashwi*

# How to choose the right MBA.




Rs. 200/- only




Rs. 175/- only

On sale now.

## Businessworld presents comprehensive B-school guides for MBA in 2009.

Two excellent guides for all those aspiring to get into the best B-schools in India and abroad. These step-by-step guides contain all the useful update, required to get into the best MBA program.

All new, updated contents: Best B-school campuses • How to crack CAT, GMAT and other important entrance tests • Financing the MBA • Personality development and more • BW ranking on the top 50 B-schools in India and abroad • Alumni reports • The best coaching institutes • Application for foreign B-schools • Visa counselling and much more

**Businessworld**

**o buy your copy fill this form and mail it to us:**

lame: Mr/Ms ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Address: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

ity: ☐☐☐☐☐☐☐☐☐☐ State: ☐☐☐☐☐☐☐☐☐☐☐☐☐ Pin: ☐☐☐☐☐☐☐☐ Tel: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

obile: ☐☐☐☐☐☐☐☐☐☐☐☐ E-mail: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Date of Birth: ☐☐☐☐☐☐☐☐☐ Education: ☐☐☐☐☐☐

☐☐☐☐☐☐ Occupation: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Company Name: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

esignation: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Please tick the desired option: ☐ 1 copy for Rs. 200/- ☐ 1 copy for Rs. 175/-

neque No./D.D. No. **(In favour of ABP Pvt. Ltd.):** _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my

redit card. VISA ☐ ☐ Card No. ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

ard member's name: _____ Card expiry date: ☐☐☐☐☐☐☐☐ Signature: _____ Date: _____

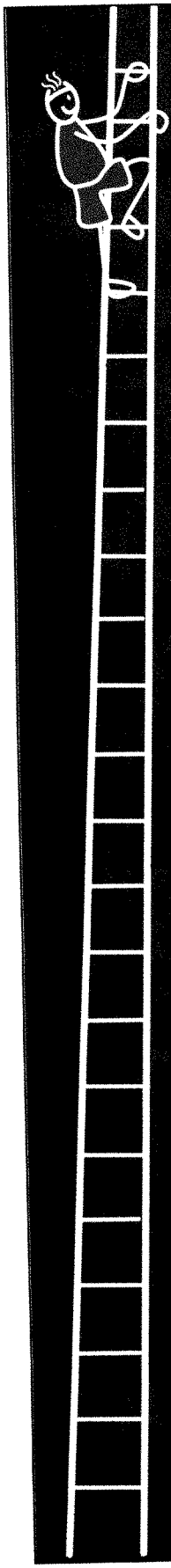
il this coupon along with Cheque/D.D. for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002. Ph: 011-23702170, mail: businessworldsubscriptions@abpmail.com

ntact: Delhi: Sangeeta Biswas, Tel.: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel.: 022-24962587; Kolkata: Sandip Biswas, Tel.: 033-226 00745; Bangalore: Partha Bhadra, Tel.: 080-2558 8127; ennai: L. Pradeep Raj, Tel.: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel.: 040-2331 7147.

**erms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. All disputes are subject to the exclusive jurisdiction of competent courts and forums Delhi/New Delhi only.

**r trade enquiry please contact UBSPD branches at:**

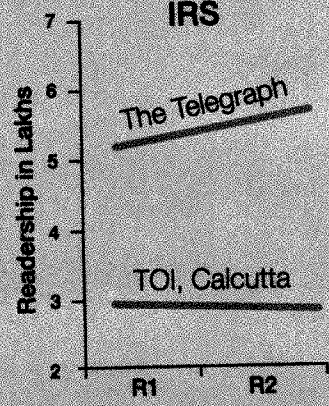
w Delhi- (011) 23273601-04, 23266646; Bhopal- (0755) 5203183, 5203193, 2555228; Mumbai- (022) 24962601-09; Bangalore- (080) 22253903, 22263901, 22263902; Chennai- (044) 23746222, 23746351-2; akulam- (0484) 2353901, 2363905; Kolkata- (033) 22521821, 22522910, 22529473; Patna- (0612) 2672856, 2673973, 2686170; Lucknow- (0522) 2294134; Pune- (020)- 4028920; Hyderabad- (040) 23262573-74

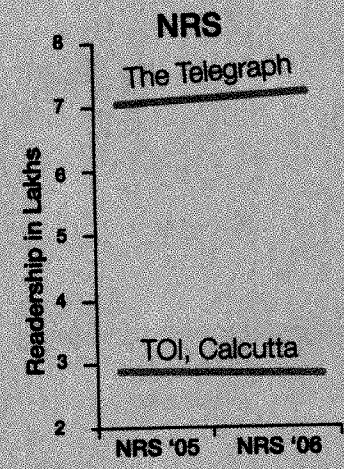


The Telegraph

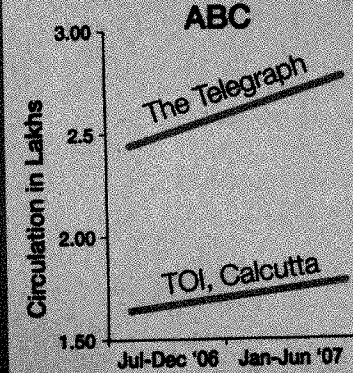
*Unputdownable*

**Widening Gap in Readership**




**Widening Gap in Circulation**




*Figures for Calcutta only.*

3052.2008

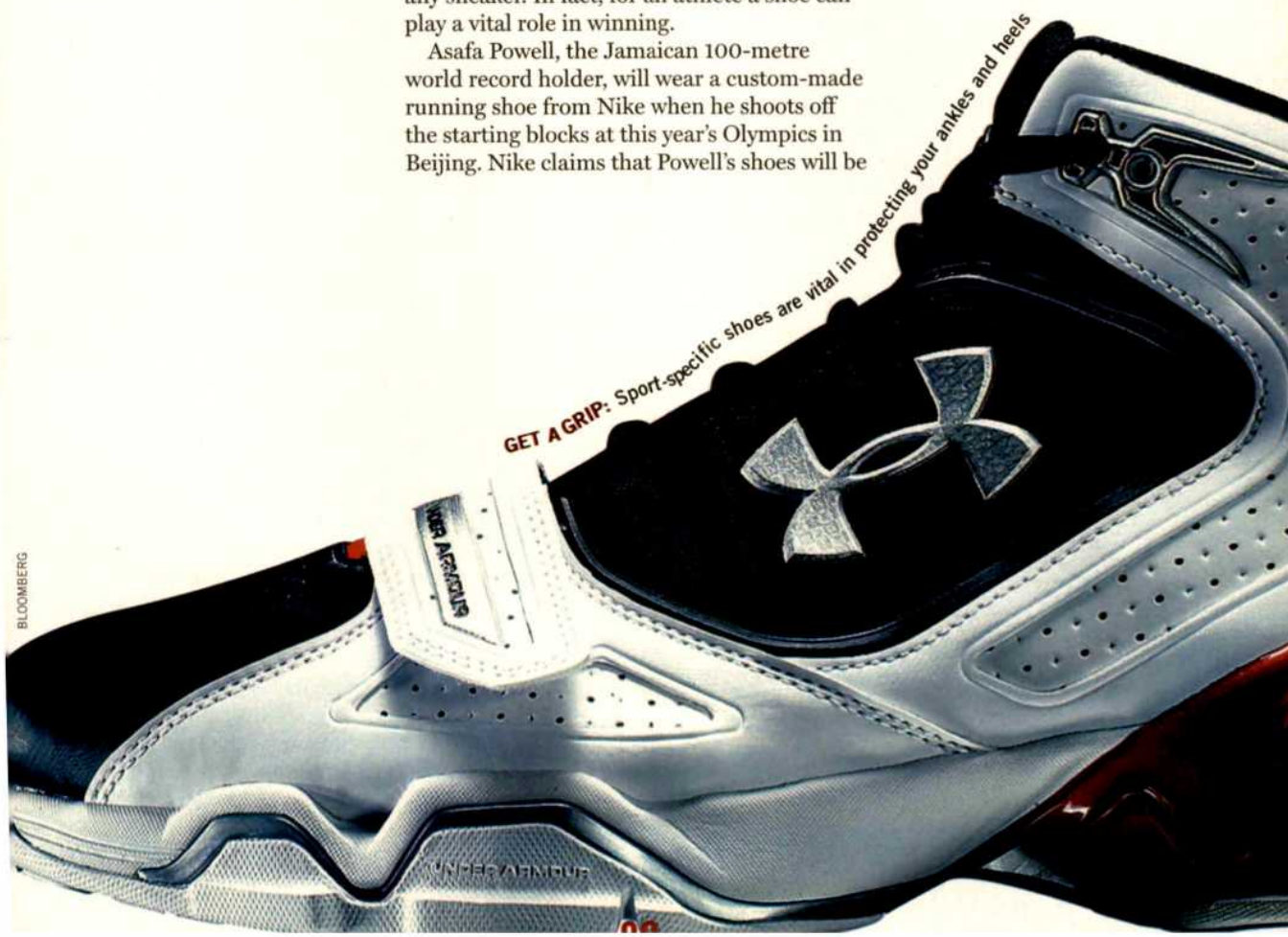
HEALTH

# Happy feet

**Wearing the right sports shoes can enhance performance and prevent injuries while playing**

DON'T BLAME IT ON YOUR LACK OF FITNESS ALONE if your ankles or heels hurt badly after a game of cricket, tennis or basketball. Quite likely, it is your shoe that is to blame. Somehow, people tend to be casual about picking shoes for their sport even as they spend freely on sporting equipment. Each sport has its unique movements; for example, tennis tests your ankles and toes as you go sideways a lot, whereas in cricket, you pound your heel and twist your ankles every time you bowl. It is just not good enough to trust your feet with just any sneaker. In fact, for an athlete a shoe can play a vital role in winning.

Asafa Powell, the Jamaican 100-metre world record holder, will wear a custom-made running shoe from Nike when he shoots off the starting blocks at this year's Olympics in Beijing. Nike claims that Powell's shoes will be




**GET A GRIP:** Sport-specific shoes are vital in protecting your ankles and heels

BLOOMBERG

**ASK AN EXPERT:** Shoe companies train sales staff to help customers pick the right sports shoe for them

the lightest and the strongest it has ever made — it is not a level playing field after all.

But most sports shoe buyers settle for the general purpose cross-trainers that they can wear to the mall and also perform a slam dunk. The problem is that cross-trainers often restrict performance levels of an athlete as they may not support the specific foot areas that are strained by a particular sport. Just ask the thousands of basketball players in cross-trainers who have sprained or broken their ankles each time they jumped up to grab a rebound or do a lay-up; or the innumerable cricketers who slip in the outfield as they chase a ball or get run out because they could not turn around in time for that second run.

Besides saving injury or embarrassment, the right sports shoe helps you perform at the top of your game. For example, typically, a spiked running shoe could help you move faster by as much as 0.4-0.5 seconds in a 100-metre sprint. In a situation where medals are won or lost over 1/100th of a second, gaining 4-or-5/10ths of a second can help smash records. However, most people believe that they do not need to get sports-specific shoes as they are not professional athletes, and cross-trainers would be good enough for their diet sports. Also, cross-trainers are often cheaper than purpose-built sports shoes. No wonder that over 40 per cent of the shoes Adidas makes are cross-trainers.

Still, Adidas spends up to $100 million in sports shoe research every year. The research begins with motion capture — where an athlete's foot is tracked to see how it moves while running or jumping. Based on that information, shoe makers then find the right materials to put into the shoe — flexible ones for stress points, firmer ones for places that need support or breathable material around areas that sweat a lot. Then come the additions such as cleats or spikes for the sole, or air-pockets under the heel. Finally, each shoe is tested extensively by athletes to make sure it is up to scratch.

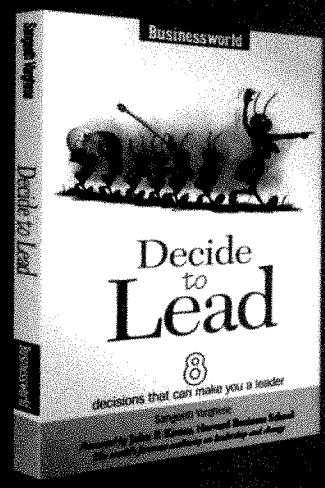
Often customers do not know which shoe will suit their sport best. Unfortunately, the sales staff at most sports shoe shops are not equipped to help. Hartwin Feddersen, Adidas' marketing director in India, says that the company enables its frontline people to educate the customer. Hopefully, for the sake of your feet, things will get better as more Indians start demanding sports-specific shoes. When being second best doesn't cut it in the boardroom, don't let it cut you down on the sports field.

*Pierre Mario Fitter*

**TECH FOR FEET:** Adidas spends $100 million a year on sports shoe research

BLOOMBERG

# NINE DECISIONS CAN MAKE YOU A LEADER. THE FIRST ONE IS TO BUY THIS BOOK.




By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order of "Businessworld Decide to Lead", fill this form & mail it to us:**

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ 5 copies for Rs. 1795/- (10% bulk discount)

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.

## Entertainment

### PULITZER FOR POET DYLAN

AP

*How does it feel*
*To be on your own*
*With no direction home*
*Like a complete unknown*
*Like a rolling stone?*

BOB DYLAN'S INTIMATE and politically charged lyrics such as this have shaped our lives and views more than any other modern songwriter, except perhaps *John Lennon.*

Now the raspy-voiced singer, who has also been a disc jockey and actor, has become the first rocker to receive the Pulitzer for "his profound impact on popular music and American culture, marked by lyrical compositions of extraordinary poetic power".

Such recognition is sweet justice for a man who changed his last name from Zimmerman in honour of the poet Dylan Thomas. Poet-songwriters such as Bob Dylan and *Leonard Cohen* had often been slighted by some for their biting commentaries on contemporary society that challenged (and later changed) the American establishment of the 1950s and 1960s.

Formal recognition of their accomplishments was elusive, particularly from older institutions such as the Pulitzer board.

Though it has conferred awards upon classical musicians since 1943, some in this group successfully blocked jazz great *Duke Ellington* from receiving the Pulitzer in 1965. Don't criticise what you can't understand, as the saying goes.

At last Dylan's voice has been universally accepted for being the great force of change that it has been to hundreds of millions.

*Pierre Mario Fitter*

BEAUTY

## It's not all sunshine

BRAVING THE SUN: Sunblocks are an essential for summers

SUMMERS ARE MOST definitely about icy-cool thirst quenchers, juicy ripe mangoes, soft cotton shirts and beach holidays. But they are equally about a blazing sun and the risk of sunburn. So while you bask in the carefree pleasures of the season, make sure you have your sunblock handy.

Although the trend of wearing sunblock is relatively new in India, there are already a significant number of brands available in the market. The latest of these is Lotus Herbals Dualglow. A combination of fenugreek, balm mint, marjoram and anise, it promises not only protection from the harsh sun but also the much sought after 'lighter skin'. Ayur, Biotique, Himalaya and Lakme offer sunblocks for the easily-tanning Indian skin.

Another well-regarded sunblock is he Neutrogena UltraSheer Dry-Touch. It comes in a range of SPFs.

Dermatologists recommend sunblocks with a SPF of 30 for direct exposure to sunlight. If you are out in the sun for long periods, use a sunblock with a higher SPF and reapply it every couple of hours.

After all, summers should also be about healthy skin and a glowing complexion.

*Sumati Nagrath*

**Bed with a view:** Versace's style and ingenuity spread to the bedroom as seen in this artistic display of its home collection in Milan.

REUTERS

AUTO

# New highway stars

INDIA'S LOVE AFFAIR with fast cars continues to grow. Even as Vijay Mallya's Force India team is doing the rounds on Formula One circuits. Ratan Tata is set to bring Ferrari to India. Also, last weekend, Mumbai salivated on two Aston Martins, numbered 007 and 009 — Aston Martin is James Bond's car — that will try to keep their title in this year's Le Mans 24-hour endurance race in France on 14-15 June.

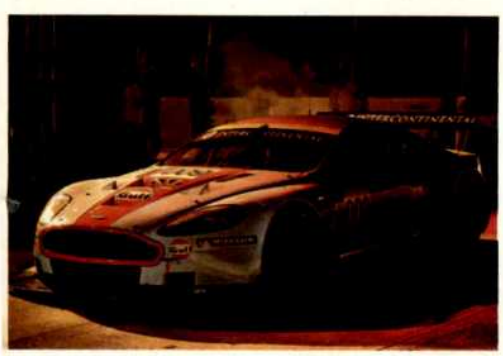
Sanjay Hinduja, whose company Gulf Oil is sponsoring Aston Martin's team this year, thinks that showing off his Le Mans team will add sheen to the Gulf brand. Gulf Oil is venturing into the oil extraction and refining businesses in India to add to its existing lubes business, which has only 5 per cent market share.

"India is the place to be now and we're using our sports sponsorships to build the brand here," he says. In the motorcycle version of Le Mans 24-hour endurance race, Gulf is sponsoring the Ducati team.

The two Scaglietti 612 Ferrari cars that are currently on their discover India trip have done well enough on Indian roads to make their Italian crew see great potential for Ferrari in India. Though the 300-mph cars have crawled in India at 80-90 kmph, they says that these Ferraris are as good for going to office as they are for dashing between towns.

Lamborghini and Porsche already have dealerships here. Life in the fast lane is set to get livelier with Ferrari planning to drive in.

*Feroz Ahmed*



**ZOOM BOOM: Indians are buying super cars like never before**

BON VIVANT

# Deutsch delight

**BELIEVE IT OR NOT, THERE ARE MORE MICHELIN THREE-star restaurants in metal-head Germany than in luxury-loving Italy — nine compared with five. Only France has more, 28. These restaurants are considered worth a special journey.**

**Germany has gained three more top-rated Michelin restaurants in the 2008 guide — *Amador* of Juan Amador at Langen near Frankfurt, *Bareiss* of Claus-Peter Lumpp at Baiesrsbronn near Black Forest, and *Saarbruecken* belonging to Gaestehaus Erfort at Saarbruecken in western Germany. Amador is best known for its molecular-experimental approach to French and German food, and Bareiss is known for its traditional French-influenced cuisines. In comparison, Saarbruecken concentrates on local gourmet food.**

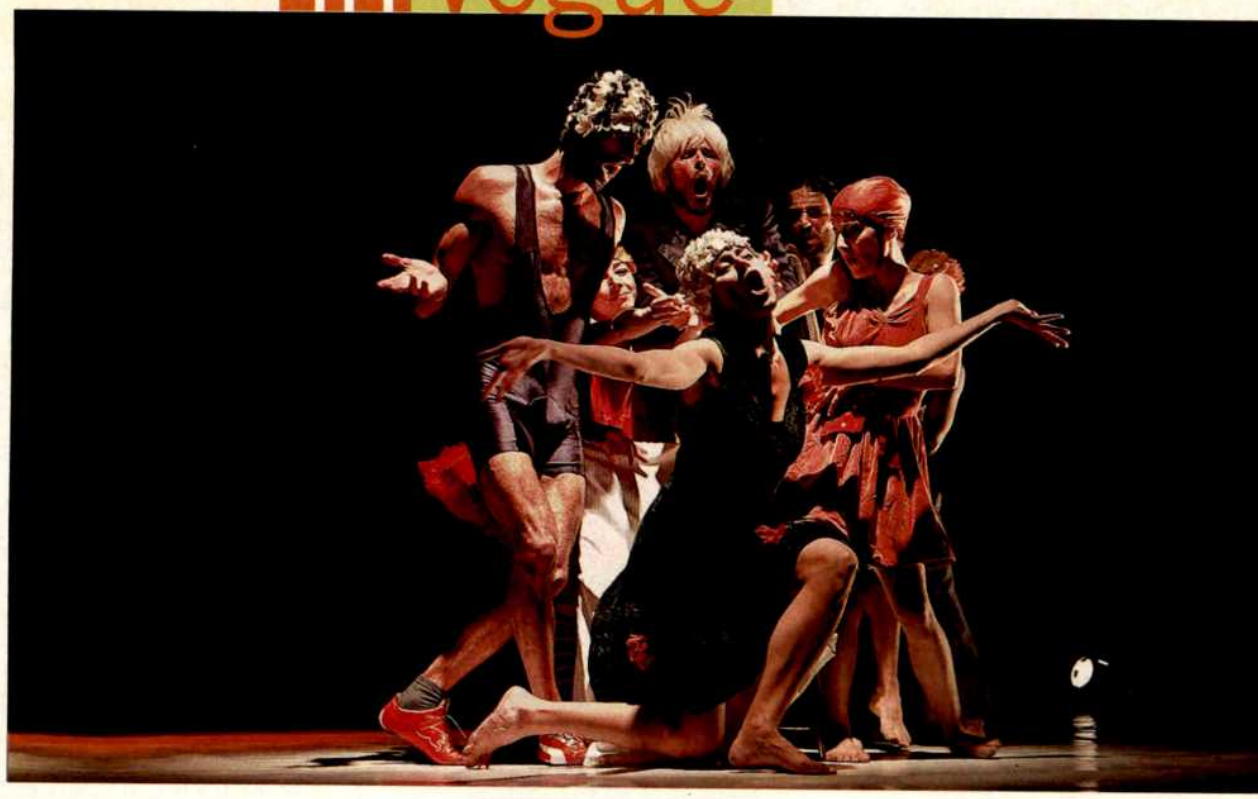
**It is only over the past decade that a new eating class has emerged in Germany where people have traditionally been happy with sausage and sauerkraut. For this new superclass, having an Audi, BMW or Porsche is not luxurious enough. They like to have the same finesse in their food as well. They would rather suckle at pork fat using tubes and nibble at their quail eggs wrapped in paper-thin dough as served by Amador than munch at a regular ham-and-egg sandwich served with a spoon of molten port fat.**

**Michelin has been rating fine-dining restaurants for a century and its guides are much revered by the gourmets.**

**If you look at food as an art form, you may keep a Michelin guide handy as you go globetrotting.**

REUTERS

BLOOMBERG



THEATRE

# Celebrating genius

**Federico Fellini films get a theatrical treatment by Artemis Danza**

IT IS A DAUNTING THOUGHT TO RECREATE THE magic of Federico Fellini's cinematic genius in another art form — theatre. But there is no harm trying. In fact, Parma-based Artemis Danza Company, which toured India in April 2008, has done a fair job of it in its production, *A Tribute to Federico Fellini*.

The dance-drama tells the story of the narcisstically self-analytical film-maker with a gift for social commentary through images, scenes and characters from his films. What does the trick for the show is director Monica Casadei's clever use of music scores by Nino Rota, who composed music for nearly all of Fellini's films.

The production transports one back to the memorable sequences and elements from Fellini's best works.

One of the most remarkable theatrical interpretations in this production is of the air-raid scene from the movie *Le Notti di Cabiria* (Nights of Cabiria). Blending the background score with spirited movements, Casadei revives the memory of the scene where a party is disrupted by aerial bombing.

Interestingly, Casadei uses vibrant colours and energetic movements even to recall brooding scenes from Fellini's monochrome movies, such as *8½*. The oddly named film, made in 1963, was about an acclaimed director who struggled to conjure up the next big hit — a problem Fellini himself was going through at the time. Fellini had directed six feature films, co-directed one and directed two anthologies by then: hence the title. The film had the director dreaming a lot of the time and fusing his fantasies with his real life without being aware of it often.

The show on Fellini, organized by the Italian Culture Center in India, was accompanied by a solo performance by India-born Ambrose Laudini - Bod(y)SattVa - which reinterpreted the experience and spirituality of Buddha in the modern context.

While Laudini's show was soulful, Casadei's musical-theatrical invocation of Federico Fellini's spirit was utterly enchanting. Grazie.

*M. Rajendran*

**DRAMATIC TRIBUTE:** The dance-drama with music scores by Nino Rota is enchanting

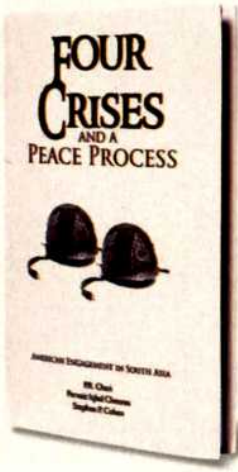
# Businessworld

## ADVERTISEMENT RATE CARD

**Effective from May 1, 2008.**

| OPTIONS | Rate (INR) | Size | |
|---|---|---|---|
| | | Bleed (In cms.) | Non-Bleed (In cms.) |
| **PREMIUM POSITION** | | | |
| Back Cover | 750000 | 26 x 19.2 | 23.5 x 16 |
| Inside Cover | 575000 | 26 x 19.2 | 23.5 x 16 |
| Inside Front Cover+Opening Page | 950000 | 26 x 38.4 | 23.5 x 35 |
| Front or Back Inside Gatefolds (3 pages) | 1650000 | 26 x 37.2 + 26 x 18.5 | 23.5 x 34 + 23.5 x 17 |
| Front Reverse Gatefold (2 pages) | 1430000 | 26 x 37.2 | 23.5 x 34 |
| Full Page Colour (Opening page) | 450000 | 26 x 19.2 | 23.5 x 16 |
| First RHP After Opening Page | 440000 | 26 x 19.2 | 23.5 x 16 |
| Centre Spread (only colour) | 940000 | 26 x 38.4 | 23.5 x 35 |
| First Double Spread | 880000 | 26 x 38.4 | 23.5 x 35 |
| | | | |
| **INSIDE PAGES (COLOUR OPTIONS)** | | | |
| Full Page Colour | 425000 | 26 x 19.2 | 23.5 x 16 |
| Double Spread | 850000 | 26 x 38.4 | 23.5 x 35 |
| Half Page Double Spread | 580000 | 13 x 38.4 | 11.5 x 35 |
| Half Page Horizontal | 280000 | 13 x 19.2 | 11.5 x 16 |
| Half Page Vertical | 280000 | 26 x 9.5 | 23.5 x 8 |
| Horizontal Strip | 190000 | 5 x 19.2 | 4 x 16 |
| Single Column | 190000 | 26 x 6.5 | 23.5 x 5.5 |
| | | | |
| **BLACK & WHITE OPTIONS** | | | |
| Full Page | 265000 | 26 x 19.2 | 23.5 x 16 |
| Double Spread | 530000 | 26 x 38.4 | 23.5 x 35 |
| Half Page Horizontal | 200000 | 13 x 19.2 | 11.5 x 16 |
| Single Column | 140000 | 26 x 6.5 | 23.5 x 5.5 |
| | | | |
| **SPECIAL RUNS** | | | |
| Two Region Splits | 275000 | | |
| Top 8 Metro Split | 335000 | | |
| Top 5 Metro Split | 315000 | | |
| Top 3 Metro Split | 290000 | | |
| North Split | 165000 | | |
| West Split | 185000 | | |
| South Split | 200000 | | |
| East Split | 125000 | | |
| | | | |
| **UFR/AFR/CHAIRMAN SPEECH** | | | |
| Full Page Colour | 325000 | | |
| Full Page B&W | 245000 | | |

THE LARGEST SELLING
AND THE MOST READ BUSINESS
MAGAZINE IN THE COUNTRY.




# When Nuclear Powers Collide

by pierre mario fitter

**FOUR CRISES AND A PEACE PROCESS**
**AMERICAN ENGAGEMENT IN SOUTH ASIA BY P.R. CHARI, PERVAIZ IQBAL CHEEMA AND STEPHEN P. COHEN, HARPERCOLLINS, PAGES: 221; PRICE: RS 495**

AT A RECENT MEETING OF INTERNATIONAL AFFAIRS and security experts, a former Indian minister made a telling remark. "If you need experts on India-Pakistan relations, you only find the same four or five names," he said. Oddly enough, a quick search on Amazon.com generates more than 22,000 results for the phrase 'India-Pakistan'.

Still, the minister was making a point. Only a handful of individuals can be relied upon for a quality analysis of India-Pakistan relations. The differentiator between this group and the thousands of other writers can be summed up in one word, 'access' — to the right people, in the right place, at the right time.

P.R. Chari, Pervaiz Iqbal Cheema and Stephen Cohen are a few of those widely-quoted scholars on foreign relations in South Asia. What immediately comes through is that they really do spend time with the people who take the decisions, play the game on the ground and make the rules sitting in the air-conditioned comfort of capital cities. This book is only further proof of their credentials.

*Four Crises and a Peace Process* is the fourth in a series of related studies on India and Pakistan. The first three studies (two books and a special presentation) were in-depth analysis of the four events described in this book — the Brasstacks exercise in 1987, the 1990 international crisis just after militancy in Kashmir went on the rise, the 1999 Kargil conflict and the 2002 eyeballing across the border after a terrorist attack on India's parliament.

There are several reasons why these four events were selected over others that have taken place since India and Pakistan separated in 1947. For one, any of these four incidents could have set off an all-out war, but didn't. Second, the last three events happened after both countries had known nuclear programmes. In fact, the Kargil battle is the first-ever instance in the history of two nuclear-enabled states entering into direct conflict with each other. Importantly, though, none of these events — barring Kargil — escalated beyond a lot of angry posturing (even the Kargil battle was deliberately limited to a small section along the border).

The authors intentionally use the word 'crises' in the title of the book. As they note in their introduction, crisis stems from the Greek word krisis, meaning judgement. The belief is that these events could serve as excellent case studies of conflict resolution between nuclear-armed countries.

*Four Crises...* also gives a greater contemporary context to each event. For example, Brasstacks took place towards the end of the Cold War, the 1990 and 1999 events happened as the world was still coming to grips with a unipolar framework with no balance of power. Finally, the 2002 crisis happened right after India's spectacular growth story had begun and just as Pakistan had joined the US as an ally in its war on terror.

The authors make full use of their decades of experience and wide-ranging professional networks to paint a panoramic picture of each crisis — they've invited comment from both sides of the border as well as from the US. Scores of interviews were conducted with a range of people, including intelligence and military officers, diplomats, bureaucrats, politicians and journalists. Then each interview was painstakingly corroborated with others from the same country, and then with the perspectives from the other side of the border as well as the US. Finally, a coherent, balanced narrative was woven together to recount what happened behind the

**P.R. CHARI** is a research professor at the Institute of Peace and Conflict Studies in New Delhi. His books include *Nuclear Stability in South Asia* and *Security and Governance in South Asia.*

**PERVAIZ IQBAL CHEEMA** is president of the Islamabad Policy Research Institute. His publications include *The Armed Forces of Pakistan.*

**STEPHEN P. COHEN** is senior fellow in Foreign Policy Studies at the Brookings Institution. His previous books include *The Idea of Pakistan* and *India: Emerging Power.*

**BROWSING**
**Jaswinder Ahuja**
**Vice President and Managing Director, Cadence Design Systems, India**

**At the moment, I am reading *Cultural Intelligence: A Guide to Working with People from Other Cultures* by BROOKS PETERSON. In today's business environment, to be a truly global leader, one needs to supplement cognitive and emotional intelligence with cultural intelligence. Usually, I like to read on a broad range of topics but I prefer books on leadership and business, along with fiction.**

scenes, as well as out in the public, as each event went through the phases of "onset, escalation, de-escalation and post-crisis consequences".

Opinions from the US are important for the future. Several US businesses and investment funds are heavily involved in India's economy, while strategically, India serves as a potential counter-balance for China. With regard to Pakistan, the US sees it as the last buffer state between the violence-ridden Middle East and Afghanistan. That is why the country has an ever-increasing interest in continued dialogue between India and Pakistan.

Ultimately, Strobe Talbott, president of the highly-influential Brookings Institute in Washington DC, and deputy secretary of state under Bill Clinton, gives the best reason to read this book. "If policymakers in New Delhi, Islamabad and Washington were to study this book carefully, there might be less danger that the authors will have to write a sequel."

**SELECTION 1**

## Untold Secrets

**SOMETHING TO TELL YOU**
**BY HANIF KUREISHI**
**FABER AND FABER,**
**PAGES: 345 PRICE: RS 495**

RACE, AGEING AND SEXUAL DESire have been the dominant themes of most of Hanif Kureishi's works and have been dealt with rather compellingly in *Black Album*, *Intimacy* and *Buddha of Suburbia*. His sixth novel is no exception. SOMETHING TO TELL YOU moves between the countercultural and hedonistic Britain of the 1970s and contemporary cool Britannia; between a coming of age tale and a tale about ageing; between a tale of sexual awakening and a tale of desperate sexual craving.

The protagonist is a successful psychoanalyst Jamal Khan. Separated from wife Josephine, devoted to his son Rafi, equally intimidated and amused by his sister Miriam, Jamal finds himself having to deal not only with looming middle-age and failed relationships but also a horrible secret from his youth. Jamal recounts how in the flush of first love, he along with two friends, threatened the sweatshop-owning abusive father of Ajita (his first love) with only the intention of scaring him. But, unexpectedly, the man dies and Ajita and his two friends disappear from his life. After almost 30 years, he runs into Ajita again and things begin to change.

But in some ways this plot is entirely irrelevant. What keeps you reading is Kureishi's sociohistoric exploration of London and its inhabitants. Jamal calls London "the city of exiles, refugees and immigrants, those for whom the metropolis was extraterrestrial and the English codes unbreakable, people who didn't have a place and didn't know who they were". London is to Kureishi's novels what New York is to Woody Allen's movies — an indispensable canvas.

It is in this 'city of exiles' that 'aberrant and deviant' sexual acts take place. Jamal's upper middle class, slightly pompous actor-friend Henry practises S&M with his tattooed, mother of five, socialist sister; Henry covets his son's girlfriend as does Jamal; Jamal sleeps with a prostitute and finds Josephine indulging in an orgy. As always, Kureishi refuses to moralise.

*—Sumati Nagrath*

**SELECTION 2**

## Dealing With Healing

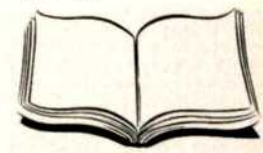
LOVE MAKES SANDEEP JAUHAR, a PhD in physics, realize that medicine is the profession for him — something his parents had always suggested to him but he had always avoided. Late as he is, he also brings a heavy aspirational baggage. In his memoir INTERN: A DOCTOR'S INITIATION (Penguin), a sleep-deprived, overworked and bamboozled Jauhar fumbles with his patients, senior doctors, elder brother, girlfriend and stethoscope as he also grapples with his fears and doubts.

Jauhar's account of his internship at a New York City hospital can belong to a possible existential subgenre of whodunit — 'Idunit'. The longing, the guilt and the groping in the dark take this coming-of-age memoir beyond your usual 'insider's-look-at-the-medical-profession'. The writer does not carry the brief to bring abnormal medical practices to light; what he does bring to light is Everyman's journey to attain that golden fleece of a sense of purpose. Since Jauhar's memoir is also an immigrant saga and a love story, this layeredness gives him means to bring a universal urgency to his doctor's tale just as it helps him spread his narrative strategy over a wider range of expectations.

Jauhar's style is sparse, and his prose as immediate as a doctor's word. His memoir pulsates with the rhythms of fiction because he has the eagerness of those who survive to tell the tale.

*—Dharminder Kumar*

**ALERT**



**THE BIN LADENS: AN ARABIAN FAMILY IN THE AMERICAN CENTURY**
**BY STEVE COLL**
**PENGUIN**

**In some ways it is the most (in)famous surname in the world at the moment. Yet there is very little that we actually know of the Bin Laden family. Steve Coll's book charts the changing fortunes of this secretive and complex family. He tells the story of how it took only two generations for the family to move from the harsh desert of Yemen to a life of luxury. And through all this, he puts together a psychological profile of Osama Bin Laden. The book paints a rich portrait of the family and its relationship with America.**

# Unmeasured Inflation

AS INFLATION GATHERS STRENGTH, IT IS COMING TO occupy an increasing proportion of media space. There is only so much that can be said about a puny figure that comes out only once a week (there are actually a few hundred price indices that the office of the economic adviser to the industry ministry puts out every week; but his website is so badly designed, and makes looking up an individual index such pain, that no one looks at them). So a hunt is on for fresh angles.

AMIT VERMA

**The wholesale price index is alarmingly out of step with the times. It should be made more rational, comprehensive and faster**

One of them concerns the accuracy of the wholesale price index. The learned economic adviser does not receive prices every week for many of the commodities he has included in the wholesale price index. When he lacks a price quotation, he repeats the figure for the previous week; if he does not have that one either, he repeats the figure for the preceding week, and so on. So it is possible that the figure that goes into the index is weeks, months or even years out of date. And at a time when most prices are rising, an old figure is a figure that does not reflect the price rise and therefore underestimates it. Missing prices are unavoidable, but the economic adviser's practice is not the best that could be imagined.

An obvious improvement would be if, instead of assuming that the prices whose current quotations are unavailable have not gone up at all, it was assumed that they went up in the same proportion as the average of available prices. The change could make a substantial difference. If, to take a conservative figure, one-seventh of the current prices are missing, inflation of 7 per cent as measured under the current practice would be 8 per cent under the improved practice. It could not exceed twice the recorded rate; it could be that high only if all prices but one were missing. But a measured rate of 7 per cent could easily be 9-10 per cent under the proposed practice. And that would seem to be the most likely reason why the esteemed economic adviser has not adopted the improved practice. If, for some reason, he does not like it, he can do the next best thing, and publish the proportion of missing prices; then his readers can draw their own conclusions.

There is a more fundamental issue, namely, whether the government should try to measure wholesale prices at all. They belong to a wor where there were big markets for bulk cor modities. The world was like that some ce turies ago perhaps — traders bought peas peanuts from farmers and carted them to *mandi* for bulk trading. But most commoditi are no longer traded that way. They are pr duced by manufacturers and delivered to sho for direct purchase by consumers. There are r wholesale prices for such products; there is consumers' price, and a producers' price. Tl wholesale price index needs to be replaced by producers' price index.

It also makes no sense to confine an index tangible commodities in an economy whe more than half the output consists of service Services are consumed at the same moment they are produced, so normally their co sumers' price would be the same as the produ ers' price. But that is not necessarily the cas Electricity, for instance, is sold in bulk by its pr mary producers to distributors. This is commc in countries with free markets, but even in pseudo-socialist country like ours, it is not ur known. A number of states have privatised ele tricity distribution; they do therefore have di tinguishable producers' and consumers' price A similar distinction can be made, for instanc between wholesale and retail interest rates. Th government should get away from what migl be called the fallacy of misplaced concretenes and construct a wholesale price index that ir cludes services.

And it should do so faster than it is used t Currently, it revises an index maybe once in decade. For the purpose, it appoints a commit tee of moribund minor bureaucrats from a over the country. They meet once in a fe months — at any rate the few who can besti themselves to attend the meeting. They deliber ate for years, and finally draft a report. The gov ernment sits on it for some time longer, and fi nally introduces a revised index which is som years out of date on its very first day. Surel there must be a quicker way. One possibilit would be to ask producers' associations to pro duce indices for their own commodity groups for instance, bankers could no doubt produce better interest index faster than the govern ment's own financial bureaucrats could. I these days of public-private partnerships, sta tistical information offers an appropriate fiel for their application.

COLORS OF
SUMMER

ColorPlus®
SMART CASUALS

# MOST MEN LIKE IT STRAIGHT

Greet summer with shades of brilliance. Created from superfine cotton count of double fold 140s vat-dyed yarns, these straight striped shirts are golf-ball washed for that ultimate sun-kissed comfort.

rubecon

Available at all exclusive ColorPlus showrooms and other retail outlets. You can shop online at www.colorplusonline.com

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09, LICENSED TO POST WITHOUT PREPAYMENT
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 **RNI NO. 39847/81**

KILL-JOY ADVERTISING P.46 NO TRUCK WITH MID-SIZERS P.50

Rs 10

# Businessworld

www.businessworld.in 12 MAY 2008 SUBSCRIBER COPY NOT FOR RESALE

TRAVEL SPECIAL

## SUMMER GETAWAYS

A quick guide to some of the coolest holiday destinations on the planet PAGE 69

+

FM soothes nerves PAGE 54

1 No.
INDIA'S BUSINESS MAGAZINE
MOST READ
MOST SOLD

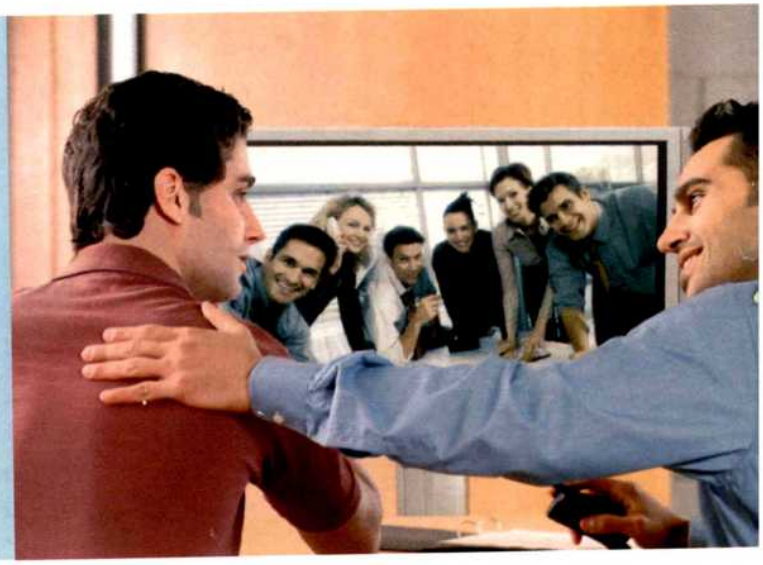
Without fanfare, Gautam Thapar has transformed his ailing companies into successful MNCs

# THE QUIET GLOBALIST

# VIDEOCOMMUNICATION
# THE FACE-TIME

## TECHNOLOGY AND DESIGN FOR IP TELEPHONY FROM AETHRA

Created expressly by Aethra and conceived as a videophone offering maximum connectivity and flexibility,the system can be singled out for its superior quality video, thanks to its camera and 7" TFT LCD 16/9 screen, with 800x480 resolution.

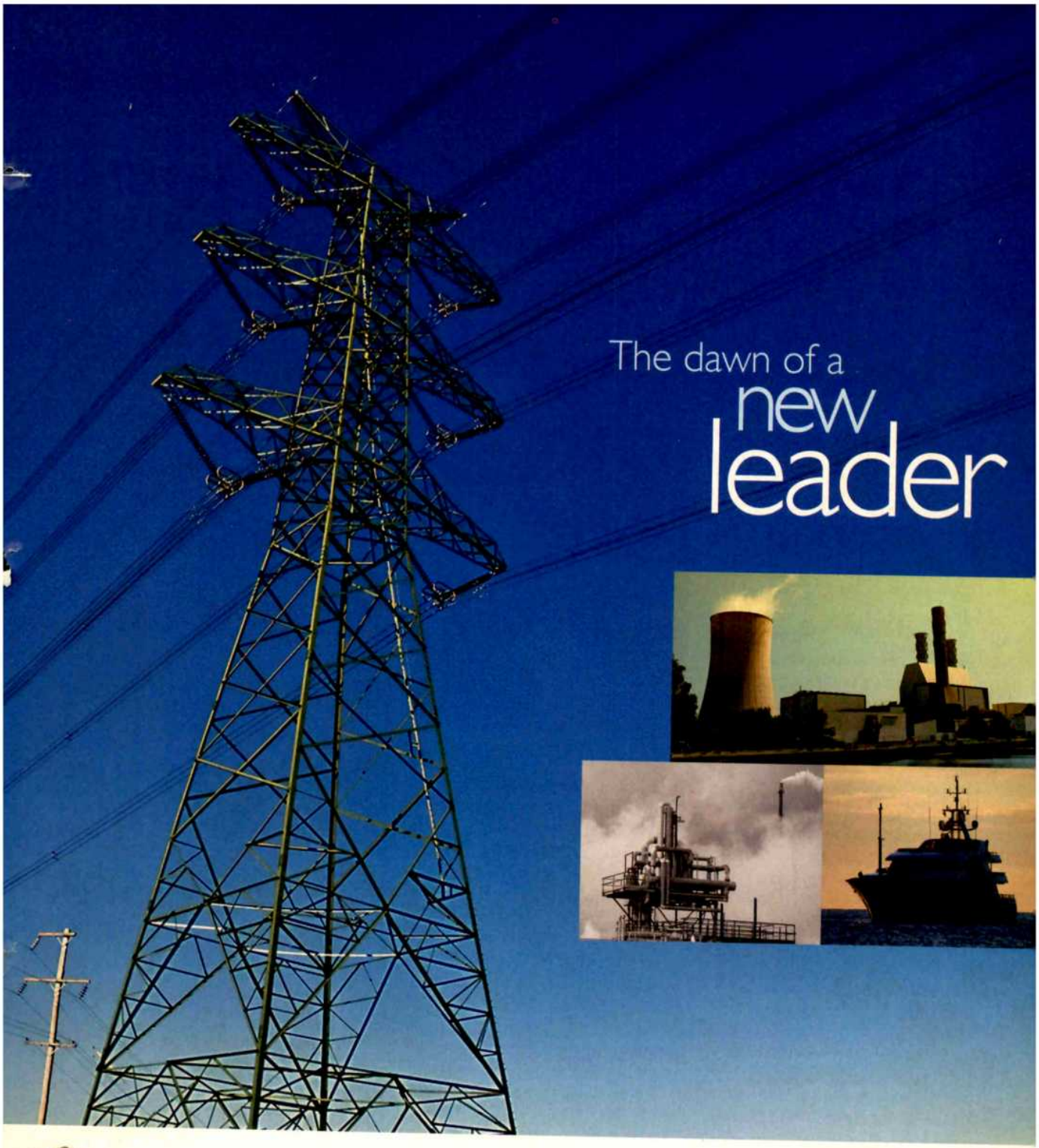


MAIA XC

**Siemens Enterprise Communications Pvt. Ltd.**
130, Pandurang Budhkar Marg,
Worli, Mumbai - 400 018.
Tel.: +91-22-2498 7257
Email: deepa.m@siemens.com
www.siemens.com

aethra®

KEEP IDEAS MOVING...™



During the last four decades, KEI has emerged significantly in powering the Indian industrial sector. With its HT, LT, EHT Power cables, Super Specialty cables such as Fire Survival cables, Zero Halogen cables and Braided cables, it caters to a wide range of industries. The sectors of economy which are thoroughly benefited by KEI cables include power sector, refineries, oil and gas sector, steel plants, fertiliser projects, international EPC projects and the energy sector to name a few. With its escalating foothold in the global market, KEI soon promises to be the one name in cable services.

KEI
Wires and Cables
The power behind the power

**KEI Industries Limited**

**Registered & Corporate Office:** D-90, Okhla Industrial Area Phase-1, New Delhi-110020. Tel: (011)-26818840/8642/0242, 9212514833. Fax: 26817225, 26811959. E-mail: keiind@vsnl.com.
**Marketing Office (Mumbai):** 101/102, Vastu Shilp, Vastu Enclave, Andheri Pump House, Andheri (East), Mumbai-400093. Tel: 022-28239673, 28375642. Fax: 022-28258277. E-mail: kei.mum@kei-ind.com.

dentsucomm/kei/211/08

## Editor's Letter

# Still Waters Run Deep

**by jehangir s. pocha, editor**

THERE ARE GROUPS LIKE THE KHATAUS, that were once big but are now small and forgotten. There are names like the Mafatlals, that were once big and are now small but still recognised. And then there is the Thapar Group. Once big, it is now bigger and better, but seldom talked about.

Quietly, but certainly, the dapper Gautam Thapar has rescued his uncle Lalit Mohan's ailing empire and turned it into a global enterprise. Eschewing headlines and hype, Thapar's group, now called Avantha, today gets more than 50 per cent of its $3.5 billion in turnover from overseas. More than that, the group thinks and acts like a global player — using professional managers to take calculated risks while deepening core competencies.

Thapar always treads softly. Watch TV and you won't see clever Hinglish ads pitching Crompton Greaves fans or paper giant BILT's products. But both dominate their markets and their products touch the lives of almost every Indian.

Thapar is also different in that while many Indian industrialists still make the most money in regulated industries (where managing New Delhi matters most), he makes his money in open, competitive industries. Here managing matters most, and over the years

Thapar has shown himself to be the model modern industrialist: secure enough to hire and trust professionals, worldly enough to act globally, astute enough to judge soundly, affable enough to win people's affection, and firm enough to earn their respect.

Thapar says his success is rooted in the fact that he never grew up expecting to inherit his uncle's empire. So, unlike Khatau or Mafatlal offspring, Thapar took nothing for granted. He knew he would have to prove himself to make himself.

But is Thapar now trying too hard? Is Avantha overreaching? The group's plans are ambitious. But achievable. From among all the enterprises trying to get from 'good to great', we believe Avantha will be one that completes the journey.

**Businessworld**

**Volume 27 Issue 51.**
**For the week 6-12 May 2008,**
**Released on 5 May 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
**Bangalore**
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*

Microsoft
It's more secure and protected than ever, able to run longer and more reliably, and alive with innovations like Failover Clustering, Windows PowerShell™ and Network Access Protection. And ready to help unleash the potential of your servers and your IT department.
Meet the new Windows Server® 2008 at microsoft.com/india/windowsserver2008
Windows Server 2008
IT 24-7
EXIT
Meet Windows Server 2008.
The server unleashed.
McCann/MSFT/1/08
2008 Microsoft Corporation. All rights reserved. Microsoft, "Your potential. Our passion.", Windows Server, Windows flag & PowerShell are either registered trademarks or trademarks of crosoft Corporation in the United States and/or other countries.

# Feedback your comments

## HR Pros Must Solve People Puzzle

This is with reference to your HR special issue (*BW*, 5 May). Human resources are the greatest asset of any organisation. Given the extremely high importance of the HR function, it is a pity that most of the young MBA aspirants of today do not prefer to specialise in HR. Even more worrying is that several business schools are purportedly considering closing the HR courses provided by them. Today, in many ways, the job of an HR professional offers greater challenge to a young candidate than it ever did. It is no secret that most employees want more by giving less. Only a highly skillful HR pro can do what it takes to honour the interests of the organisation as well as those of its employees. Better HR practitioners are going to be even more sought after in the days to come.

**Udit Bhanu Pradhan,** via e-mail

**WRITE IN AT**
**bweditor@abp.in**
**or post us on**
**www.businessworld.in**

## Make The Citizens Employable

This is with reference to Sumati Nagrath's article, 'Of Merit And Prejudice' (*BW*, 28 April). The writer suggests that the private sector should not only give preference to SC/ST/OBC candidates in recruitment but also give them requisite training, support them to bring them on an equal footing, establish coaching programmes in universities, award them scholarships, etc. My view is that it is the government's job to educate citizens and make them employable irrespective of their caste. The private sector is already playing its role in the society by contributing to economic progress and people's material well-being. It is the government which has not been fully successful in playing its part, and politicians now want to penalise businesses for their own inefficiency. The private sector can not ignore people who are competent enough.

**Ashish Gupta,** via e-mail

## Good HR Practices Check Attrition

The HR special articles (*BW*, 5 May) were exceptionally well done. An issue which is of great concern to HR professionals in the country today is that of high employee turnover. I am disturbed by the tendency to blame the employees for changing jobs frequently. A candidate rarely appears for a job interview with an intention to change the job soon. Often, at the time of the final HR interview, the HR manager shows a rosy picture and tries to convince him for a lower salary than budgeted. Once he joins, the employee feels cheated. Seeing campus recruits getting more money than him adds to the disillusionment. Greater honesty on the part of HR managers can lower attrition.

**Bhalerao,** via e-mail

## Sense Of Mission Key To Success

The Editor's Letter in the *BW* 5 May issue made some very appropriate points in today's context. A strong sense of mission aided by an adequate amount of money can turn any business endeavour into a success story. The starting points in any business or service are the people who produce products and services. The four 'Ps' of marketing have made way for a different and better set of four 'Ps' of business — people, people, people and people. Without motivated people, no achievement is possible.

**K.S. Krishnamurthy,** via e-mail

*Letters may have been edited for brevity.*

ELGI
Think Long Run

# AIR POWER that acts infallibly in both.

AT 800 FEET BELOW SEA LEVEL

AT 21000 FEET ABOVE THE EARTH

## ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

- Textiles
- Power
- Cement
- Construction & Mining
- Pharmaceuticals
- Food & Beverages
- Leather
- Automotive
- Engineering
- Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

## ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

**Branch Offices:** Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

**Overseas Offices:** Bangladesh · China · Indonesia · Kenya · Malaysia · Middle East · South Africa · Sri Lanka · Thailand

**Toll Free Customer Care Number 1800 - 425 - 3544**

iB&W/ELGI/08/09

Businessworld 12.05.08

SANJAY SAKARIA

## COVER STORY

# 28 Going Global

How Gautam Thapar is quietly but resolutely morphing a family empire into a global player called Avantha.

## ON POINT


**10 Realty Check**
Will entry of foreign funds into real estate cause a spurt in prices?

**11 Sweeten The Policy**
The proposal to decontrol sugar will make companies viable and benefit farmers.

**14 Dear Reader**
Round 1 of the Indian Readership Survey 2008 is out, and few are celebrating.

**16 FIANCHETTO**
Weekly strategic corporate moves.

**18 QUICK TAKE**
Real estate headed for a correction?


## IN THE NEWS


**22 Hard To Swallow**
The 'new' drug pricing policy is likely to intensify the government-industry spat.

**23 New Lease Of Life**
The extension of the IT tax holiday brings relief to an industry under siege.

BLOOMBERG

**26 Privacy Issues**
Concerns over 'personalised' ads which track the movement of Net surfers.

**27 Worst Foot Forward**
The carbon footprint of the poorest in the US is double that of the world average.

## IN DEPTH

**46 Watch Out**
A law exists that supports the TV viewer suffering an overdose of unwanted ads.

**50 Off The Road**
A hub-and-spoke model of transport may render medium-sized trucks extinct.

**54 Trying to Soothe**
The FM's speech on Fianance Bill, 2008 shows the government's mood to please.

**58 Valuations-V**
Pharma stocks appear more reasonably priced today than they did a few years ago.

## IN VOGUE

**70 Urban Safari**
Holidays in the world's great cities.

**73 Offbeat Trips**
Unusual destinations around the world.

**76 Hiking And Biking**
Adventure in slow motion.

**78 Nearer Home**
Some enchanting getaways.

**80 Bookmark**
The true cost of the Iraq conflict, clean car wars, and corporate do-gooders.

## COLUMNS

**20 Bill Emmott**
The boom in commodity prices is more due to emerging economies' savings glut.

**34 Omkar Goswami**
We are paying the price of the US becoming enemy number one in the Middle East.

## IN CONVERSATION


**38 BEN VERWAAYEN**
CHIEF EXECUTIVE,
**BT GROUP PLC**

BT, which walked out of its partnership with Bharti, is now betting on India again in its new avatar as a wireline network company. It plans to make up for the lost opportunity

**44 Srikanth Srinivas**
The history of interest rates upsets ideas of high, low or average rates.

**48 Devra Davis**
Attacking known environmental carcinogens is essential to curb cancer.

**60 Gurbir Singh**
The shortage of journalists has pushed up wages as never before.

## BW & YOU

**06 FEEDBACK**

**61 CASE STUDY**

**82 BW OPINION**


**Cover Photographs: Sanjay Sakaria & Bloomberg**


**BWonline**
**businessworld.in**
WEB EXCLUSIVES

TechnoCool
Tushar Kanwar on Canon Printers ip4500 and ip2580, and how a portable wind-powered gadget charger makes your life easy.

Ads Gone Wrong
*BW* Online Bureau lists some of the prominent advertising campaigns that have backfired.


Total No. of pages including cover: 84

REAL ESTATE

# Back-door Entry

**Investment by foreign funds into realty may cause a spurt in prices**

SUBHABRATA DAS

**NEW AVENUES:** The REMFs will be close-ended and listed on stock exchanges

IN GIVING THE GREEN signal for real estate mutual funds (REMFs), stockmarket regulator Sebi has opened the doors for foreign funds to invest in real estate. RBI and the Ministry of Finance had stemmed the flow of foreign funds into real estate to prevent inflation and control the spiralling cost of land. But now foreign funds can subscribe to REMFs, despite the amendments made by Sebi in its existing mutual funds regulations that have stringent checks and balances on REMFs.

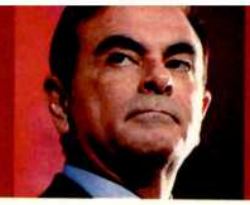
Allowed to invest only in ready realty properties, REMF schemes will be closed-ended and listed on stock exchanges. These schemes have to invest minimum 35 per cent of the corpus in completed physical realty properties, and the balance in equity or debt of listed or unlisted realty companies and mortgage-backed securities.

As REMF schemes can go up to 100 per cent in physical realty, it has opened the door for FIIs and NRIs who are allowed to invest in domestic MFs. Under existing FDI norms, they can invest directly but only in properties under development. "If a lot of money chases few investment-grade real-estate assets, it could lead to a spurt in prices and the affordability index could go for a toss," says Jai Mavani, executive director at KPMG.

Existing mutual funds are not rushing in to file REMF scheme offer documents with Sebi. "When the first one takes the plunge, others copy its offer document and launch their schemes," says a senior official at a domestic mutual fund.

*Rajesh Gajra*

**85** pound — Price of the the world's most expensive burger to be served up by food chain Burger King



QUOTE OF THE WEEK **"The US auto market is not going to be great again."**

— NISSAN-RENAULT CEO CARLOS GHOSN

SUGAR SAGA

# Sweet Bid

**PM in a fix over approving the proposal to decontrol sugar**

AS THE ECOMOMIC Advisory Council's (EAC's) proposal to decontrol sugar awaits Prime Minister Manmohan Singh's approval, the good economist appears in for an earnest round of tightrope walking. While there is no doubt that sugar companies and rich farmers will benefit, the poor farmer will likely take a hit.

As per the proposal, farmers need not sell sugarcane only to sugar mills in a vicinity of 25 km. While farmers who can afford to go farther to sell produce at better prices will benefit, the marginal farmer will be stumped. In the case of mills, the quantum of sugar that they can sell in the open market is determined by the government.

The proposal quite naturally evoked differing responses. "Everyone from the farmers to the consumers will benefit," says Tarun Sawhney, corporate vice-president of Triveni Engineering & Industries, a leading sugar producer. But K.L. Gidwani, a leading champion of sugarcane farmers, disagrees. "Farmers may not benefit as multinationals would take control of sugarcane fields and determine the price."

Given that several elections have been fought and lost over sugar in India, the PM certainly has a task on his hands.

*M. Rajendran*

BLOOMBERG

**LITTLE HOPE:** Small farmers are unlikely to benefit from EAC's proposal, say experts

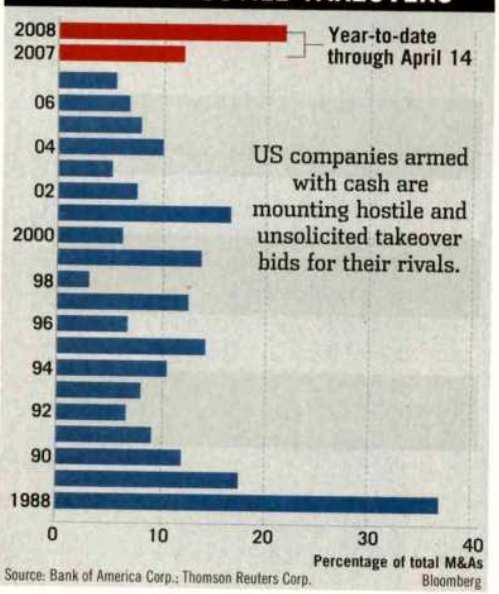
## Global NEWS

BLOOMBERG

**Bush bash**

US President George W. Bush called the farm bill by Congressional negotiators a "massive, bloated" piece of legislation that would pay subsidies to "multimillionaire farmers." He threatened to veto the bill for failing to adequately change the structure of subsidy payments, which, the World Trade Organization says, distort commerce.

## RIPE FOR HOSTILE TAKEOVERS




Source: Bank of America Corp.; Thomson Reuters Corp. Bloomberg

PUBLIC TRANSPORT

# UNCERTAIN CORRIDOR

DELHI'S DEDICATED BUS CORRIDOR, Bus Rapid Transit (BRT), has had a baptism by fire. Admittedly, poor planning and execution have caused the traffic jams on the pilot stretch. But the BRT's real problem is one that its planners — and its critics — will never admit. Delhiites love their vehicles; and the critics of BRT refuse to give them up and use public transport.

Unless this aspect changes, the BRT cannot succeed, and the number of private vehicles on the roads in Delhi will not go down. Mindsets are difficult to change, so change has to be wrought by policy. One option could be to levy a charge on BRT roads similar to London's congestion charge, and simultaneously increase the number of buses plying the corridors.

An added option could be to allow cars with three or more passengers to use the corridor to encourage car pooling. These are small fixes that can go a long way. All that is needed is political will.

*Pierre Mario Fitter*

## STOCKING UP

Sandra Hernandez buys bags of rice at a Costco store in Arlington, Virginia. The warehouse club operator has seen some unusual demand for certain items such as rice and flour as customers, worried over global food shortages, look to stock up on basic items. It has limited members to purchasing two bags each.

REUTERS

WI-FI ZONE

# Web Options

AFTER PUNE, the first city to offer free Wireless-Fidelity (Wi-Fi) internet access in 2005, followed by Bangalore, several other cities are readying plans to offer free Wi-Fi services. Among them are Delhi — which wants to be fully Wi-Fi before the 2010 Commonwealth Games, Chennai, Mumbai, Ahmedabad and Hyderabad. However, as in any other area, free service is never a good idea.

**HIGH TECH:** A detailed commercial plan is needed for Wi-Fi connectivity

Says Amitabh Singhal, consultant for IT and Telecom at Telxess Consulting Services, "It has to be tempered with a foolproof commercial plan, else quality would suffer, as is already experienced in San Francisco and Pune."

A Tonse Telecom report says that the continued real-estate boom will fuel Wi-Fi growth in a major way, allowing the next generation youth to experiment with indoor, campus, as well as public place internet connectivity options. That's all very well indeed, but the question is will it be free? Ideally, it should not.

*M Rajendran*

## UK HOUSE PRICES

BLOOMBERG

# Feeling The Squeeze

UK HOUSE PRICES FELL IN APRIL FROM A year earlier, the first such decline since 1996, after the credit squeeze dried up finance for property purchases, Nationwide Building Society, one of Britain's prominent mortgage lender said. Home values dropped by 1 per cent from a year earlier and from March, prices fell by 1.1 per cent. While the Bank of England has cut interest rates, policy maker David Blanchflower said prices may fall further.

## Reality Check

**More than half of Britain's 75 billionaires — including 14 of the 20 richest people — are foreign-born**

MEDIA

## OLD HAND, OLD GAME

AP

THE DEBATE AROUND the ouster of *The Wall Street Journal*'s Managing Editor Marcus Brauchli last week has turned sharper. An internal committee said Rupert Murdoch, chairman of NewsCorp that owns *WSJ*, had not lived up to conditions that he had agreed to when he bought *WSJ*'s holding company, Dow Jones & Co, last December. Given Murdoch's history of political interference, a committee was set up that could block the firing or hiring of the newspaper's managing editor. In Brauchli's case, however, the committee could do nothing as he had officially resigned and accepted a role as a consultant to NewsCorp. Murdoch has only reiterated what he established earlier: the owner calls the shots.

*Gurbir Singh*

## TOP 10 LISTINGS

THE WORLD'S BEST RESTAURANTS

1. El Bulli (Spain)
2. The Fat Duck (UK)
3. Pierre Gagnaire (Fr)
4. Mugaritz (Spain)
5. French Laundry (US)
6. Per Se (US)
7. Bras (Fr)
8. Arzak (Spain)
9. Tetsuya's (Australia)
10. Noma (Denmark)

Source: S.Pellegrino World's 50 Best Restaurants list (2008)

**Brokers now have to provide daily reports on collateral to investors**

STOCK EXCHANGE

## Turning Tide

THERE'S SOME GOOD news for investors in stock exchanges. Capital markets regulator SEBI has asked stock exchanges to tell their member brokers to give daily reports to investors on investor collateral, and also provide redressal to complaints against brokers in this matter.

What this has done is extend investors' rights of redressal from only executed trades to include collateral as well. Several investors had complained that their trading was affected or their collateral held in the form of shares was sold in the market by brokers. Brokers were also misusing cash deposits of investors to meet margins on their proprietary trades. The stock exchanges were not paying any attention to such foul play or complaints under the excuse that such pre-trade transfers of funds or shares do not carry any protection.

But now the tide has turned.

*Rajesh Gajra*

PRINT MEDIA

# No Cause For Celebration

**Readership for most English dailies has gone down in the last year**

TRIBHUWAN SHARMA

THIS TIME THERE ARE no hoardings shouting from rooftops. The Indian Readership Survey (IRS) Round 1 (R1) 2008 is out and nobody seems to be celebrating. The English print majors have moved up marginally for all-India readership but their metro readers have either plateaued or fallen. *Times of India* in Delhi has lost 1 per cent, falling to 21.13 lakh readers. *Hindustan Times* (HT) has lost 2 per cent with 19.07 lakh readers in Delhi.

Mumbai's score is a little better, but growth is in single digits — *DNA* grew 3 per cent to 6.03 lakh readers, and *HT* by 8 per cent to 3.81 lakh. *Indian Express* has lost everywhere. But this is better than the developed world, where newspapers are increasingly losing out to their internet editions.

Meanwhile, *The Economic Times* lost 4 per cent to 7.43 lakh, while *Business Line* plummeted 15 per cent to just 88,000, and *Financial Express* has almost vanished, showing just 25,000 readers nationwide. With more big business dailies in the pipeline, more mayhem can be expected. Business magazines too continued to lose readership.

Only the Hindi general dailies are still showing growth, though down to single-digit figures from double digit growth in the past. Leader *Dainik Jagran* increased readership by almost 4 per cent to 55.6 million readers; outpaced by *Dainik Bhaskar* by 5 per cent to 31.9 million readers. There is no immediate panic since advertising is still strong for print banners. But in the long-term, the plateauing readership will be a source of worry.

*Gurbir Singh*

POLITICS

# Reality Television

**A minsiter pushing for a wider base for TV ratings says he was threatened**

ABP

THE UNION INFORMATION & Broadcasting Minister Priyaranjan Dasmunsi has got into a peculiar controversy. In recent weeks and months, he has been attacking TAM Media and a-Map, the private agencies that release TVRs (television rating points) as a gauge of TV progra-mmes' popularity. He has pointed to the small base of 6,000-7,000 urban homes that provide the data for the TVRs. He delivered a shocker in Parliament recently when he alleged, in the context of the TVR controversy, that he had been threatened by some "private parties five-six times".

Except for the days of the cable wars, the broadcasting industry is generally known to conduct its controversies through debate. Meanwhile, Dasmunsi's demand for a government presence on a television audience monitoring body is being examined by Trai (Telecom Regulatory Authority of India). Are the allegations of 'threats' a way to push his demand through?

*Gurbir Singh*

Global
## BIZ

**Averting crisis**
**The US needs to spend $170 billion more each year on transportation infrastructure to avoid a "crisis" in the next decade. This could prompt higher fuel taxes, private sector investment, tolls and congestion in pricing, the Urban Land Institute, a group of planners and architects said. Countries that curb spending on infrastructure risk falling behind, it said.**

**1.3** bn dollars: The compensation sought from CNN over remarks insulting to the Chinese people

For details contact us at: Ballarpur Industries Limited, First India Place, Tower C, Mehrauli-Gurgaon Road, Gurgaon-122002 (Haryana), India. Ph: (+) 91-124-4099 270/80, 2804 242/3. Fax: (+) 91-124-2389 495, 2560 029/30. E-mail: info@biltpaper.com. Website: www.biltpaper.com.

# Fianchetto

The week's strategic moves and the movers who made them

**Arcelor secures ore**

ArcelorMittal SA, the world's biggest steel maker, has signed a deal to buy 529 million tons of iron ore from Brazilian miner Vale for the next 10 years in the largest ever deal in the industry. The companies did not disclose the price at which the deal between stuck.

**PSU get together**

BHEL and NTPC have formed a 50:50 joint venture to carry out engineering, procurement and construction contracts for power plants and other infrastructure projects, as well as manufacture and supply equipment. NTPC is one of the largest customers for equipment manufactured by BHEL.

**Alstom powers on**

French engineering major Alstom is planning to expand its facility in India to produce turbine/generator sets for power plants. Alstom Projects India is also likely to forge an alliance with NTPC-Bhel Power Projects, the newly set up JV of the two PSUs that would manufacture equipment and carry out EPC contracts for power plants.

**ICICI Bank's NBFC foray**

ICICI Bank has applied for a licence to set up a non-banking finance company (NBFC). The country's second-largest bank has shelved plans to get into the fund of funds (FoF) business and an infrastructure fund by itself. It shows that the bank is pulling back its aggressive plans.

**RCOM wants to go global**

Reliance Communications (RCom) is said to be planning a GSM-based mobile virtual network operator (MVNO) services across 57 countries. If true, this could be the first Indian brand in 57 countries. According to news reports, the company is working on this plan and is in talks with carriers to buy bulk airtime.

**Refinery spend $5.8 bn**

Reliance Petroleum Ltd, which is building a 580,000 barrel per day (bpd) refinery, said it has spent $5.8 billion on the project up to 31 March.

**Warburg Pincus to invest $75 mn**

Private equity firm Warburg Pincus LLC has bought an unspecified stake in a joint venture with developer Unique Affordable Homes, a part of Jaipur-based Unique Builders, for $75 million. The JV plans to invest $150 million in a 3,510-apartment residential project in Rajasthan.

DEALTRACKER

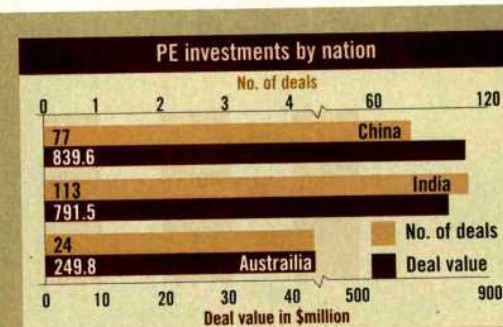
## BW-THOMSON FINANCIAL PE TRACKER

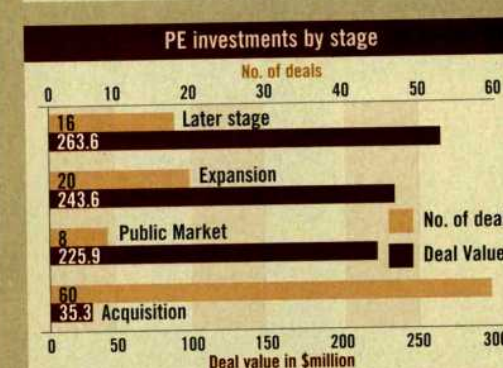
The Asian PE market saw 258 deals worth $2267.61 million between 1 January and 27 April 2008. China was the largest market in the region with 77 deals worth $839.61 million.

Top India deals

| TARGET | INVESTOR | INVESTOR NATION | DEAL SIZE (US $MN) |
|---|---|---|---|
| Excel-Soft Technologies Pvt. Ltd. | D.E. Shaw Group, The | US | 32.2 |
| Wilson Sandhu Logistics (India) Pvt. Ltd. | Blue River Capital | India | 100.36 |
| Lizer Cylinders, Ltd. | Undisclosed Venture Firm | India | NA |
| Infina Finance Pvt., Ltd. | Kotak Private Equity Group | US | NA |
| Tessolve Services Pvt., Ltd. | Qualcomm Ventures | US | NA |
| Infinity Satcom Universal Pvt Ltd. | Infinity Capital LLC | US | 57 |
| Provogue (India), Ltd. (FKA: Acme Clothing Pvt. Ltd.) | New Vernon Private Equity (FKA: New Vernon Bharat Ltd.) | Mauritius | NA |
| TVS Logistics Services, Ltd. | Goldman, Sachs & Co. | US | 25 |
| Apollo Hospitals | Apax Partners Worldwide | UK | 11 |
| MKhoj Solutions Pvt., Ltd. | Kleiner Perkins Caufield & Byers | US | NA |

Figures for 11 April-26 April 2008




Figures for 1 January-27 April 2008

PHOTOGRAPHS: BLOOMBERG

### Swiss cement connect

Swiss cement giant Holcim has bought out Ambuja Cements 11 per cent stake in Ambuja Cements India (ACIL), for Rs 589 crore. Thus becoming an 100 per cent owner of a company that holds controlling stake in ACC, India's largest cement company. Holcim also holds a controlling stake in Ambuja Cements, earlier called Gujarat Ambuja. According to observers, this consolidation paves the way for the merger of ACC and Ambuja Cements going forward.

### Vodafone's search service

Mobile service provider Vodafone has joined hands with Microsoft India to provide its users SMS search service at a rate of 30 paisa per query. While search is free on the internet, here the telecom service provider is charging for it. Maybe search majors Google and Yahoo! will change the rules of the game by providing free search services on mobiles.

### Chewing gum worth $23 bn

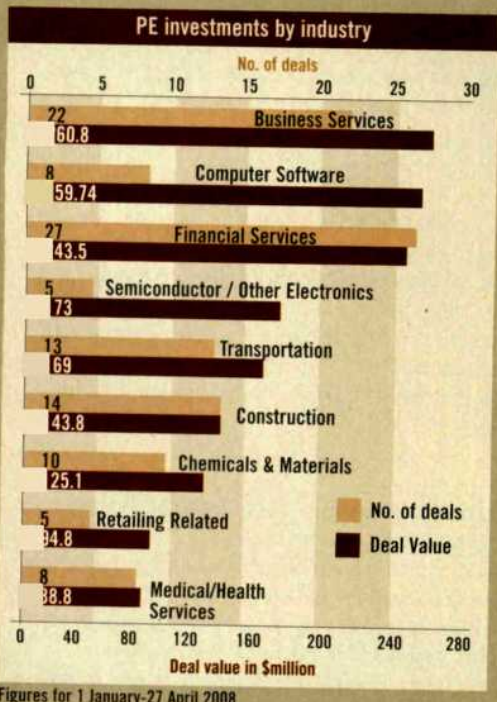
M&M's candy maker Mars Inc. has teamed up with billionaire Warren Buffett to buy No. 1 chewing gum manufacturer Wm Wrigley Jr. Co. for $23 billion, to create the world's largest confectionery company.

### Deutsche Bank's blueprint

Germany's Deutsche Bank plans to invest $1 billion in real estate and infrastructure in India over the next three years. The investment will be made through RREEF Alternative Investments, its global alternative investment management business, which recently launched its real estate, infrastructure and private equity business here. RREEF Alternative Investments has acquired a 60 per cent equity stake in NCC Urban Infrastructure, a JV with Nagarjuna Constructions, to develop a $400 million project in the IT/ITeS zone in Hyderabad.

### Hotel plans

Dawnay Day International, a London-hospitality entreprise is planning to invest $300 million by 2010 to set up four-star hotels in the country. These will be set up in cities such as Ahmedabad and Jaipur.




Figures for 1 January-27 April 2008

**Top Asia deals**

| TARGET | TARGET NATION | INVESTOR | INVESTOR NATION | DEAL SIZE ($ TH) |
|---|---|---|---|---|
| AsiaPharm Group | Singapore | MBK Partners | South Korea | 2,63,000 |
| Amcor Flexibles - UK Packaging Operations | Australia | Accent Equity Partners (FKA : Euroventures AB / Nordico) | Sweden | 28,663 |
| JinTV Co. Ltd. (DBA: TVJ.com.cn) | China | Sequoia Capital | US | NA |
| Infinity Satcom Universal Pvt, Ltd. | India | Infinity Capital LLC | US | 57,000 |
| Splendia, Ltd. (FKA: Travel Selection) | Hong Kong | Credit Agricole Private Equity (FKA: Credit Lyonnais PE) | France | NA |
| Tessolve Services | India | Qualcomm Ventures | US | NA |
| TidalWave Technology | China | China Seed Ventures | China | NA |
| Beijing Competitor Sports Technology | China | IDG Technology Venture Investment, Inc. (IDGVC) | China | NA |
| I-Flapp Technologies Pvt. Ltd | Singapore | Mercatus Capital Pvt. Ltd. | Singapore | NA |
| Xinjiang Tunhe Industry & Trade Ltd. | China | Blue Ridge Capital | US | 90,000 |

Figures for 13 April-26 April 2008

Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list

# Quick Take

## Given the recent developments, is the Indian real estate sector headed for a correction?

**We asked...** Niranjan Hiranandani, Co-founder and Managing Director, Hiranandani group; P. Sahel, Managing Director, North India, Jones Lang LaSalle Meghraj; Anshuman Magazine, Managing Director, CB Richard Ellis India; Rohtas Goel, Chairman and Managing Director, Omaxe; Jai Mavani, Executive Director, KPMG India; Yavnika Khanna, Senior Analyst, Strategy and Planning, Solutions Digitas; Srickant Rajagopal, Assistant Vice-President, SSKI Corporate Finance; Remiz Cardoz, Head, Noble House Builders and Developers; G.P. Savlani, Resident Director, Confederation of Real Estate Developers' Associations of India

"To a degree correction is necessary and would be good for real estate and the larger economy."

**Jai Mavani, Executive Director, KPMG India**

"There will be no drop in realty prices considering the magnitude of demand right now."

**Niranjan Hiranandani, Co-founder and MD, Hiranadani group**

"There might be some correction in certain areas, but it won't be a drastic change in prices."

**Rohtas Goel, Chairman and Managing Director, Omaxe**

**Yes 33%**

**YES BECAUSE:** Real estate just never ceases to be in the news. Earlier, it was there because of sky-rocketing prices, then the housing crisis in the West and lately, there has been some speculation over whether Indian realty is headed for a correction. This view has been further fuelled by the news of certain private equity deals in real estate falling apart. Some of our respondents did believe that realty is in fact headed for a correction — even if it's a mild one — following months of unduly high prices. In a phase of extremely high demand, pumped up even further by easy access to credit, realty prices were bound to move upwards, they said but this only resulted in the formation of a bubble of high prices, which will sooner or later burst.

**No 22%**

**NO BECAUSE:** Some of the respondents were quite optimistic about the future of realty in India citing unforeseen demand and a limited supply as the key factors driving this growth. They felt, given the current scenario of burgeoning salaries and where young professionals are more willing to acquire property than ever before, the question of realty prices falling simply doesn't arise. Also, one view was that there is huge untapped latent demand in the form of house buyers in the age group 25-50, for whom buying property is the ultimate form of investment for future security. Also, they felt that given certain market conditions at the moment, the investor may well be wary of realty, but it is not going to have any impact on the mood of the end buyer.

**Maybe 45%**

**MAYBE BECAUSE:** So far, the current market sentiment in Indian realty has largely been driven by isolated instances of falling prices in certain areas of the country and only in certain forms of housing. So, naturally, some of our respondents believe that a correction may likely happen, but it won't be a large-scale phenomenon. They believe it will probably happen only in certain areas of the country where prices are too inflated. Specifically, they felt that the impact of any correction, if it occurs, will only be felt in non-metropolitan micro-markets, where the supply of land is more flexible. Also, significant drops have been seen only in residential sales so far, whereas the commercial side is still doing well. Therefore, they felt the chances of a large-scale correction are slim.

# Not Just A Logo But An Initiative That Will Benefit 65 Lakh Weavers & Protect A Rare Skill & A Proud Legacy

Shri Shankersinh Vaghela
Hon'ble Minister of Textiles, Govt. of India

Smt. Sonia Gandhi
Hon'ble Chairperson, UPA

Dr. Manmohan Singh
Hon'ble Prime Minister of India

Shri E.V.K.S. Elangovan
Hon'ble Minister of State for Textiles, Govt. of India

# Handloom Mark

## The Assurance of Real Handloom Creations

**Handloom**

Every product that bears the 'Handloom Mark' certifies the authenticity of the product being an original hand-woven produce created by 6.5 million handloom weavers

**Office of the Development Commissioner (Handlooms)**
Ministry of Textiles, Government of India
www.handlooms.nic.in

**Textiles Committee**
(Implementing Agency)
Ministry of Textiles, Government of India
www.textilescommittee.gov.in

India's rich heritage. Use Handloom products with pride

# Emerging Dynamics

**by bill emmott**

IN JANUARY 2007, I NOTED THAT COMMODITY prices had begun to fall after a five-year boom. I wondered whether oil and metals prices might continue to fall. I was inclined towards bearishness, as supply was likely to increase and demand growth to ease. That prediction does not look good right now. The IMF commodity price index rose by 44 per cent between February 2007 and February 2008. The price of crude oil, which had fallen from $78 a barrel in June 2006 to almost $50 six months later, has since crossed $115.

**The boom in commodity prices is more due to emerging economies' savings glut than financial speculation**

Some say financial speculation has been the cause. But although weak prices for equities and debt securities may have encouraged investors to devote more cash to commodities, the boom has lasted too long to be explained in that way. Rather, the finance that matters is represented by the savings glut in emerging economies such as China, its East Asian neighbours, Russia, and Arab oil-producing countries. For the other surprising trend is that emerging economies have so far been unaffected by slowing growth in the West. As the rich world began to slow in 2007, economists' eyes turned to trading links between the US, Western Europe and the emerging economies to see which countries might be most affected. But this underrated the importance of trade between emerging and developing economies: according to the IMF, more than half the exports from those economies are now towards other such economies. It also under-rated the importance of money.

The main fuel for China's GDP growth rate of 11.9 per cent in 2007 and India's growth of about 8.6 per cent has not been exports but investment, made possible by abundant domestic savings and by a credit boom. Until the past decade, most developing countries needed foreign capital to finance their growth, which made them vulnerable to western downturns. Since the late 1990s, however, many have built up capital surpluses. So they are no longer vulnerable.

According to the IMF again, since 2002 emerging economies accounted for more than 90 per cent of the rise in consumption of oil and of metals, and for 80 per cent in grains. No one needs look further than that to comprehend the long-term boom in commodity prices. Yet the fall from mid-2007 and the resumption of the boom happened despite that long-term demand growth.

In the crucial case of oil, politics must now be brought in. Worldwide demand for oil rose 1.1 per cent from 84.9 million barrels a day in 2006 to 85.8 million in 2007. Yet, oil production rose by only 0.2 per cent last year. The reason is that OPEC — which accounts for more than 40 per cent of global oil output — decided to reduce supply by 1 per cent.

Back in early 2007, it looked as if OPEC politics might favour a rise in output and fall in prices, for Saudi Arabia, the country with the world's largest oil reserves, was concerned about the growing regional strength of its rival, Iran, which was being reinforced by high oil prices. But Saudi Arabia lacked enough spare production capacity to bring about an output rise on its own, and the arguments of Iran and Venezuela won the day. Both countries are desperate for oil revenue. High energy prices have, in turn, encouraged food prices to soar, for farmers' fertiliser costs have risen as energy became dearer.

What might happen now? Given the accuracy of the January 2007 prediction, it would be unwise to be too bold. But one can note two points. First, according to the IMF's recent *World Economic Outlook*, from 2003 until 2008, OPEC's spare production capacity as a percentage of world demand has been below the 4 per cent average of 1996-2007. It will stay below 4 per cent in 2008, but is expected to return to that level in 2009, thanks to extra capacity in Saudi Arabia.

The second point is about economic conditions in the emerging economies that have driven the commodities boom. In both China and India, inflation is the most prominent economic issue: it has risen about 8 per cent in China and about 7 per cent in India. Rising energy and food prices are the immediate reason. But rapid money-supply growth, helped by buoyant credit expansion, provides the underlying reason. Inflation has also become a larger concern in Latin American countries and in other parts of Asia. It is unlikely that inflation will be tamed without some economic slowdowns in emerging economies, for that will be the consequence of costlier credit and other measures to reduce monetary growth. How far this cuts the growth in demand for commodities will depend on how severe the slowdown in domestic investment proves to be.

The author is a former Editor of *The Economist*.
*policyworld.bw@gmail.com*

**Instant CRM.** No software to buy, no hardware to maintain, no hidden costs…just plug-in and succeed. Starting at 1.5 lakh for 5 users of the world's most popular CRM + 5 days of implementation services. From the software-as-a-service leader. **www.salesforce.com**

For a limited time, visit **www.salesforce.com/ap/instantcrm** or call 000 800 001 6000.

WIPRO
Applying Thought
Implementation Partner

* Conditions apply

# Bitter Medicine

**by Noemie Bisserbe**

**'New' drug policy may hot up spat between government and firms**

A FRESH POLICY IS IN THE OFFING, TWO MINISTRIES are drooling over their shares in its implementation, and the industry concerned is already up in arms. India's new pharma policy, to be finalised by the Department of Chemicals & Petrochemicals — part of the Ministry of Chemicals & Fertilizers — after over a year of debate, is a controversy in the making. The new policy, aimed at improving access to essential medicines, will determine the number of drugs whose price will be controlled by the government, regulate trade margins and set the framework for price negotiation for patented drugs. It will also introduce new Acts to compound all drug-related offences.

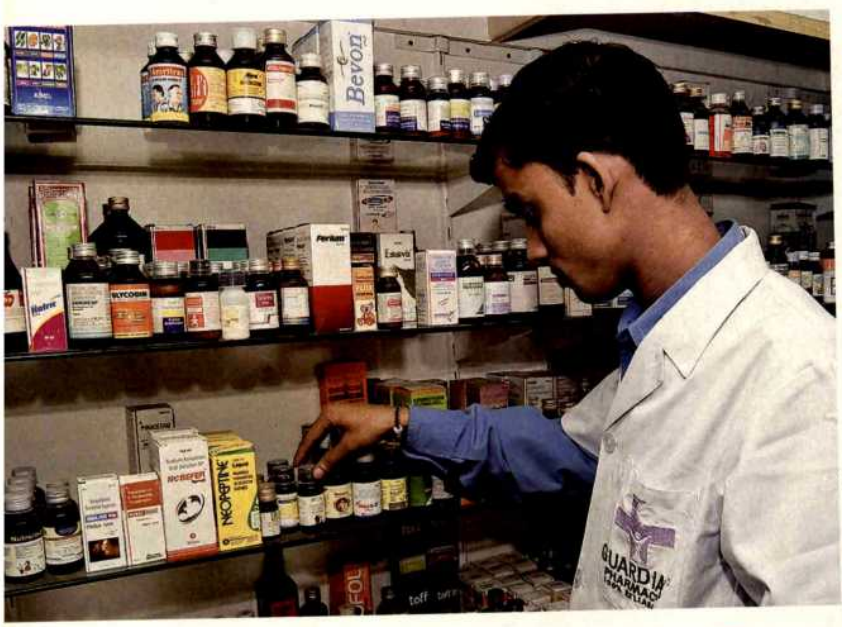
While the Department of Chemicals & Petrochemicals defends the need for a stricter pricing regime, the pharma industry has vehemently opposed the draft pharma policy, which calls for increasing the number of bulk drugs under price control from 74 to 354. As a result, 35 per cent of the Rs 55,000-crore domestic drug market would be under price control, as opposed to just 20 per cent today. The pharma industry, which insists that drug prices in India are already among the lowest in the world, has warned that increasing the span of price control would be negative to public health, as more medications would disappear from the market. "Instead of controlling drug prices, the government should itself manufacture and make drugs available to those who can't afford them," says Amar Lulla, CEO of Mumbai-based Cipla. "It has the facilities and we would be happy to share the technology with it. We could also supply these drugs directly to the government."

Besides, with India's new patent regime, domestic drug makers are looking for support from the government in research efforts. "The policy must be liberalised because cost-based pricing doesn't take into account the money spent on research," says Swati A. Piramal, director of strategic alliances and communications at Mumbai-based Nicholas Piramal India. "Today, new patented drugs come exclusively from the West. The government should encourage Indian companies to develop new drugs."

To that, advocates of price control reply that Indian pharma companies can already set off 1.5 times the money spent on research. "The list of essential medicines was framed by the health ministry, we are only implementing it," says a top government official close to the discussions, who did not wished to be named. Following the industry's strong opposition, an inter-ministerial group, headed by Agriculture Minister Sharad Pawar, was set up in January 2007 to give its views on the draft policy. The inter-ministerial group conducted its fourth meeting on 30 April, but there is still little clarity on when the policy will be finalised. Despite repeated attempts, *BW* could not reach officials of the Department of Chemicals & Petrochemicals.

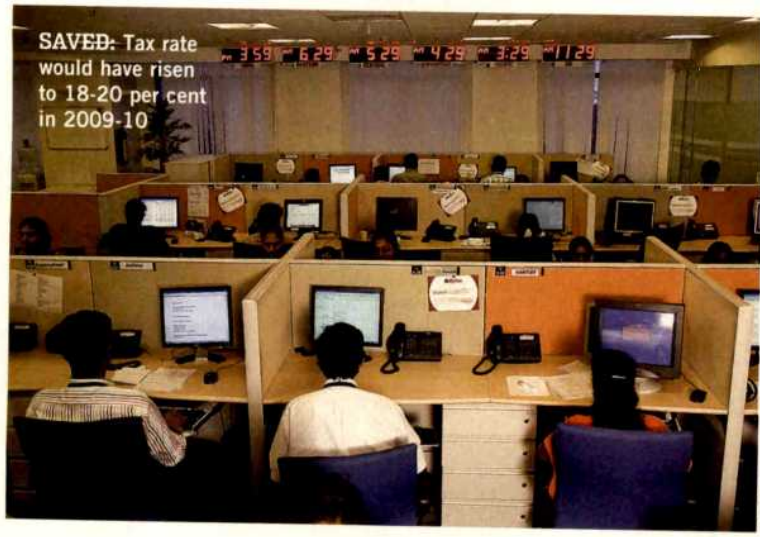
A new pharmaceuticals department, too, will come under the Ministry of Chemicals & Fertilizers. It will bring together functions that deal with various aspects of the pharmaceutical industry. The Ministry Of Environment & Forests covers areas of clinical trials on animals, while the Ministry of Science & Technology allots funds for research projects. The Department of Commerce and the Department of Industrial Policy & Promotion (under the Ministry of Commerce & Industry), handle World Trade Organization-related issues and negotiations at the World Intellectual Property Organization, respectively. According to people in the know, the National Pharmaceutical Pricing Authority will also come under the new department.

Surprisingly, the most crucial function, regulating the quality of medicines will remain with the health ministry. Still, that would be two ministries dealing with all things pharma, down from five. That's a start.




TRIBHUWAN SHARMA

**TOWARDS THE CURE:** Two ministries will deal with all things pharma instead of the present five


SAVED: Tax rate would have risen to 18-20 per cent in 2009-10

R.A. CHANDROO

# Help From Above

**by Dhanya Krishnakumar**

**One more year of tax holiday is godsend for IT companies**

SIGNALLING TEMPORARY RELIEF FOR THE IT industry, Finance Minister P. Chidambaram has extended the tax holiday scheme for export-driven software companies — set to expire in March 2009 — by a year. This decision needs to be ratified by both the houses of Parliament, which is expected to happen by early May.

Both companies and industry bodies such as Nasscom see this as timely and beneficial for an industry reeling under multiple whammies of an appreciating rupee, inflation and signs of slowdown in the US economy. "Our effective tax rate is at 8-10 per cent, which would have risen to 18-20 per cent in 2009-10 if the extension had not been announced," says N. Ramachandran, CFO of iGate Global Solutions. Adds Rostow Ravanan, CFO of MindTree Consulting, "We will see savings of about 4-5 per cent in our tax rates for 2010."

The move also benefits small and medium-sized IT firms. A report released by the Planning Commission earlier this month said that the withdrawal of Software Technology Parks of India (STPI) benefits would have adverse effect on small firms as they do not have the capacity to build special economic zones (SEZs) and will have to settle in large multi-product SEZs paying exorbitant rents. As for large companies already pursuing SEZ plans, the FM's move "will enable them to enjoy the tax benefits further for a period of one year on their revenues derived from their existing STP operations," says V. Balakrishnan, CFO of Infosys Technologies.

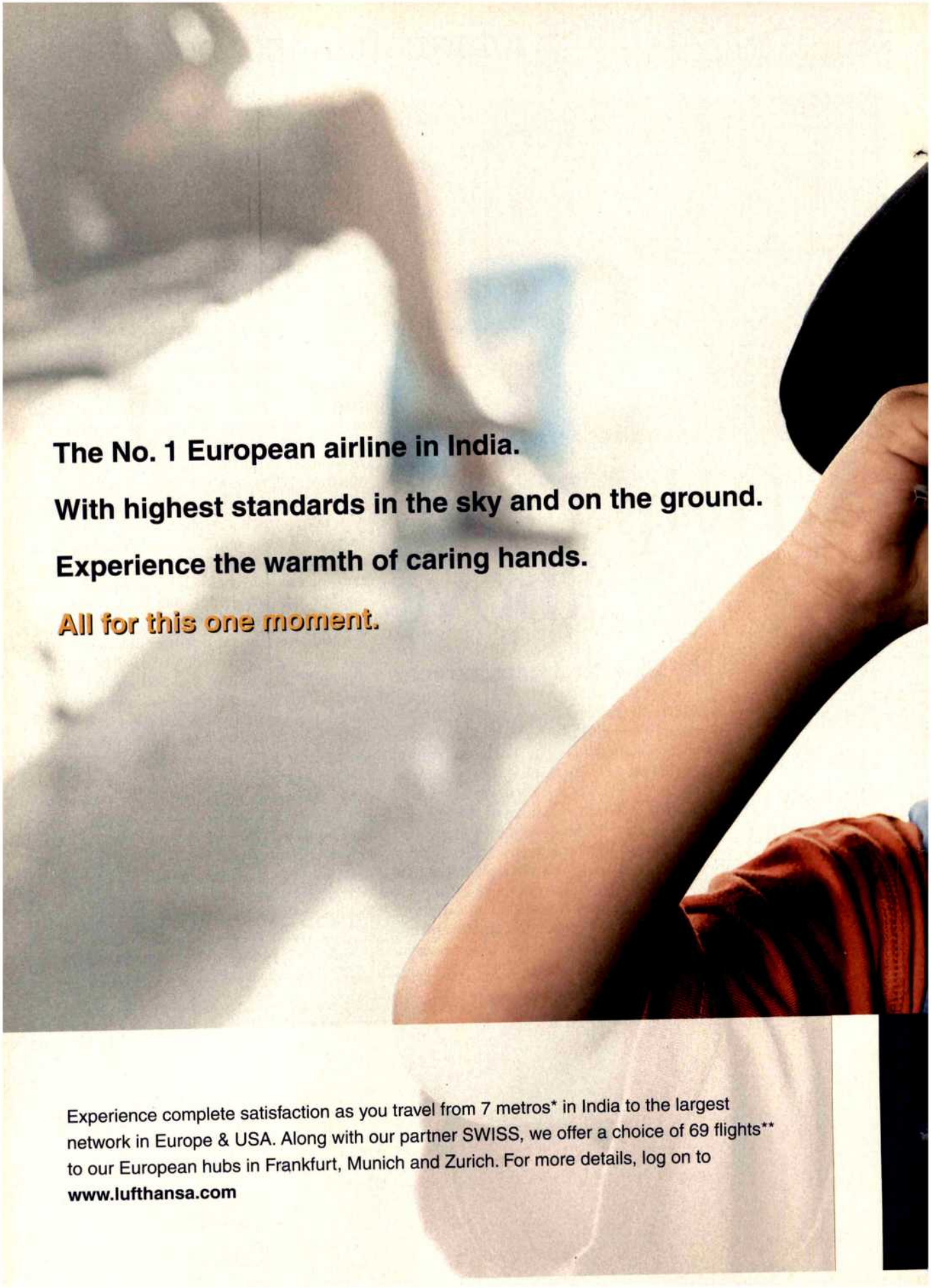
But is one year enough? For many companies, the answer is a resounding yes. "It was one year versus zero," says MindTree's Rostow. "And maybe this one year will serve as a testing period for further extensions." Adds J. Parthasarathy, director of STPI, "We should be grateful for such a timely extension."

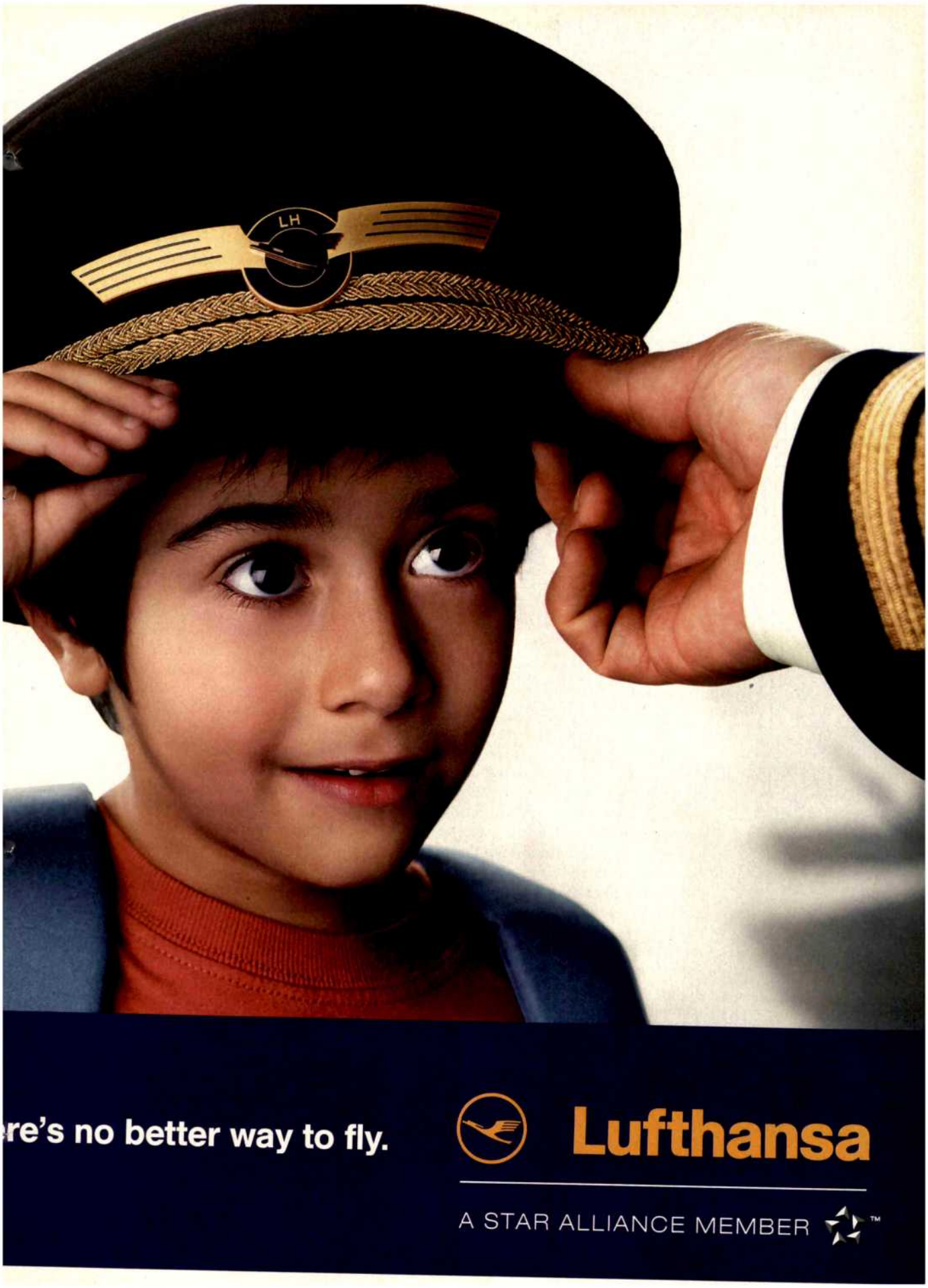
Another argument gaining credence is that given the appreciating rupee, the FM has decided to play a game of wait and watch. For instance, if the exchange rate does see a reversal in 2009, then by taking away this temporary benefit, industry will not be hurt. But by insisting on taking away the incentive when profitability has taken a beating does not allow companies to grow. Says iGate's Ramachandran, "We hope the government takes a re-look at the whole scheme of tax holidays and formulates a stabler, longer-term tax incentive."

So is a second extension then a possibility? "You never know, it could happen," says STPI's Parthasarathy. Hope, as they say, is eternal.

*dhanya.krishnakumar@abp.in*

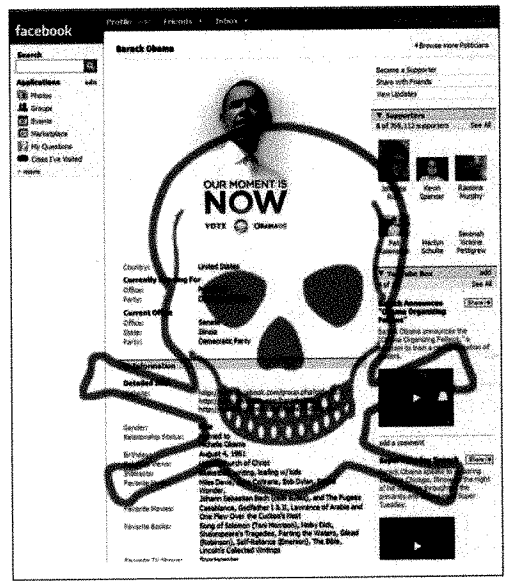
SME Banking |
Business Instalment Loan
• Lending upto INR 30 lakhs
• No collateral/ security required
Call 39404444/ 66014444
Conditions apply.
Standard Chartered


The No. 1 European airline in India.
With highest standards in the sky and on the ground.
Experience the warmth of caring hands.
All for this one moment.
Experience complete satisfaction as you travel from 7 metros* in India to the largest network in Europe & USA. Along with our partner SWISS, we offer a choice of 69 flights** to our European hubs in Frankfurt, Munich and Zurich. For more details, log on to
www.lufthansa.com


LH
ere's no better way to fly.
Lufthansa
A STAR ALLIANCE MEMBER

# Someone's Watching

**by M. Rajendran**




**Phorm's tracking technology raises questions of privacy**

SURFING CAN BE PERILOUS. PHORM INC., AN ADVERtising and technology company, has pushed up the high-decibel debate over online privacy by a few notches. It's now offering what's euphemistically called 'personalised advertising'. Partnering with companies such as the BT Group (formerly British Telecom) and Virgin, Phorm intends to use information shared innocently on the World Wide Web (WWW) to hawk products that might be of particular interest to a surfer. "It is a revolutionary development," says Vakul Sharma, a leading cyber law advocate, in New Delhi. "It would make spyware and cookies redundant, provided Phorm practises what it claims." In a hypothetical instance, if you are part of a running group, you will be seeing ads for shoes and track suits in your inbox. It's the allegorical equivalent of precision instead of blanket bombing.

The concept, though, has come in for flak from some very influential quarters. Tim Berners-Lee, inventor of the WWW, has been critical of 'personalised' advertisements, which track the movement of surfers.

Phorm defends its Open Internet Exchange (OIX), and a free consumer internet feature, Webwise, which will ensure "fewer irrelevant advertisements and additional protection against malicious websites" and "...also revolutionise current standards of online privacy and fully protect the identity of consumers". Sharma believes this will be difficult despite Phorm's claim that its privacy policy has been validated under best industry practices, both by an Ernst & Young independent audit, and a Privacy Impact Assessment undertaken by the managing director of 80/20 Thinking and director of Privacy International, Simon Davies.

"The company [Phorm] is claiming as Google and Facebook and many others do," points out Manoj Kumar Jain, a Supreme Court advocate, in New Delhi. "The issue is that, if you are online, you will be marked by a number and not a name or other identification. It still breaches the privacy of an individual."

New technologies make it possible to monitor every click on the WWW. Each iota of information provided by netizens is collected. They have no choice but to part with this data: access to services is thus conditional. Most visitors to the WWW do not know that they can be policed by the internet service provider. The unique internet protocol (IP) addresses, which are in a way just like snail mail's postal index numbers, make them just as vulnerable.

Surfers can be misled into thinking they are not being tracked by their name or online identity, but they can still be tracked by their IP address. This, too, is a gross violation of privacy. "These kinds of products do not respect the privacy of people, but instead make a mockery of their expectations on privacy," says Pawan Duggal, a leading Supreme Court cyber law expert. "When Net users find their online rights violated, they will reject such products."

Jain points out that Phorm's products are more dangerous since they target individuals rather than a mass. Effectively, it is tracking browsing behaviour with focused eyes; others do it randomly. "As a lawyer, if I look for issues of money laundering on the Net to prepare a case, the authorities can use such tools to track me down and hold me as a suspect for money laundering," says Duggal. "Importantly, it's an intrusion into my professional and personal life."

It appears that the fear of being stalked on the Net will continue in the absence of international pressure to monitor the activities of online peeping toms. E-medicine pioneer George D. Lundberg once rightly said that information on the internet is subject to the same rules and regulations as conversation at a bar.

*m.rajendran@abp.in*

# Auditing Emissions

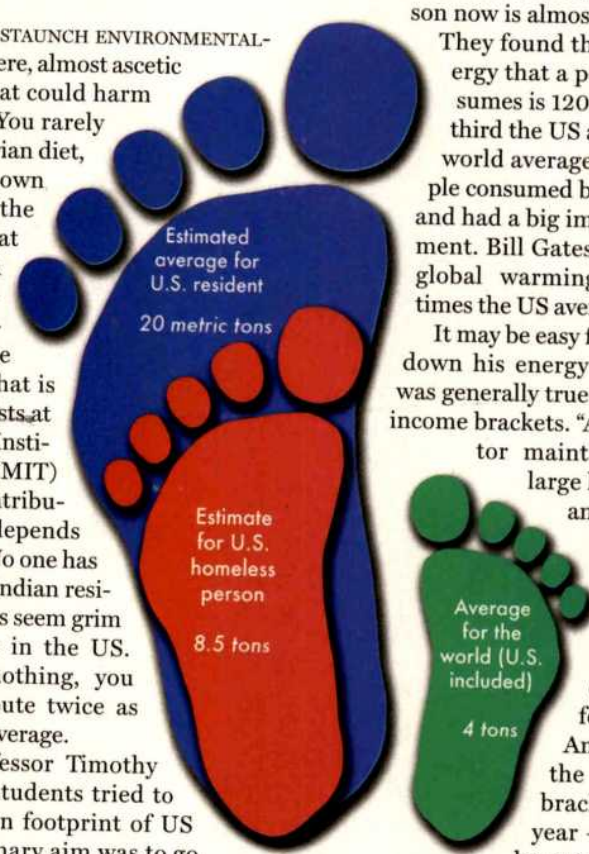
**by P. Hari in San Francisco**

**Size of carbon footprint depends on where you live**

SUPPOSE YOU ARE A STAUNCH ENVIRONMENTALIST. You live an austere, almost ascetic life, doing little that could harm the environment. You rarely travel, eat a vegetarian diet, and generate your own electricity from the sun. You think that your contribution of carbon emissions to the environment would be next to nothing. That is not true, say scientists at the Massachusetts Institute of Technology (MIT) in the US. Your contribution of emissions depends on where you live. No one has done this audit for Indian residents, but the results seem grim for those who live in the US. Even if you do nothing, you would still contribute twice as much as the world average.

When MIT professor Timothy Gutowski and his students tried to calculate the carbon footprint of US lifestyles, their primary aim was to go away from national statistics and focus on individual lifestyles. A profligate lifestyle, no doubt, contributes enormously to carbon emissions, but statistics such as total or per capita emissions do not answer an important question. Would living an austere life reduce one's burden of emissions? The public thinks that it does, leading to several misconceptions about lifestyle. "A lot of people in America still want to be cowboys," says Gutowski. Now his study shows that even cowboys in America would emit far more carbon than people in other countries.

The MIT team looked at people with 18 different lifestyles: that of Buddhist monks, senators, vegetarians, management consultants, corporate CEOs, five-year-old children, retired people and ultra-rich people such as Bill Gates.




Courtesy: MIT News Office/Patrick Gillooly

His students interviewed people with these lifestyles. They looked at variations in income within a lifestyle, and also variations of lifestyle within a fixed income. They also included something for the first time in such studies: the overhead for living in the US. The government provides subsidies worth $4,391 through services, and this becomes an overhead that creates emissions that have to be shared by everybody.

The MIT team took 1997 as their base year, but the amount of carbon emitted per person now is almost the same as in 1997. They found that the minimum energy that a person in the US consumes is 120 giga joules. It is one-third the US average, but twice the world average. Large-income people consumed big amounts of energy and had a big impact on the environment. Bill Gates, for example, had a global warming potential 10,000 times the US average.

It may be easy for Bill Gates to bring down his energy consumption. This was generally true of those in the high-income brackets. "An average US Senator maintained at least two large houses, and possibly another vacation home as well," says Christopher Cleaver, an MIT student. However, reducing energy use is not easy for the average American. For those in the middle-income bracket — $30,000 a year — energy use could be cut down by about 30 per cent. To cut the energy use by 50 per cent, they have to make lifestyle changes that would be unacceptable to most people. "There are limits to voluntary actions to reduce impacts," says Gutowski.

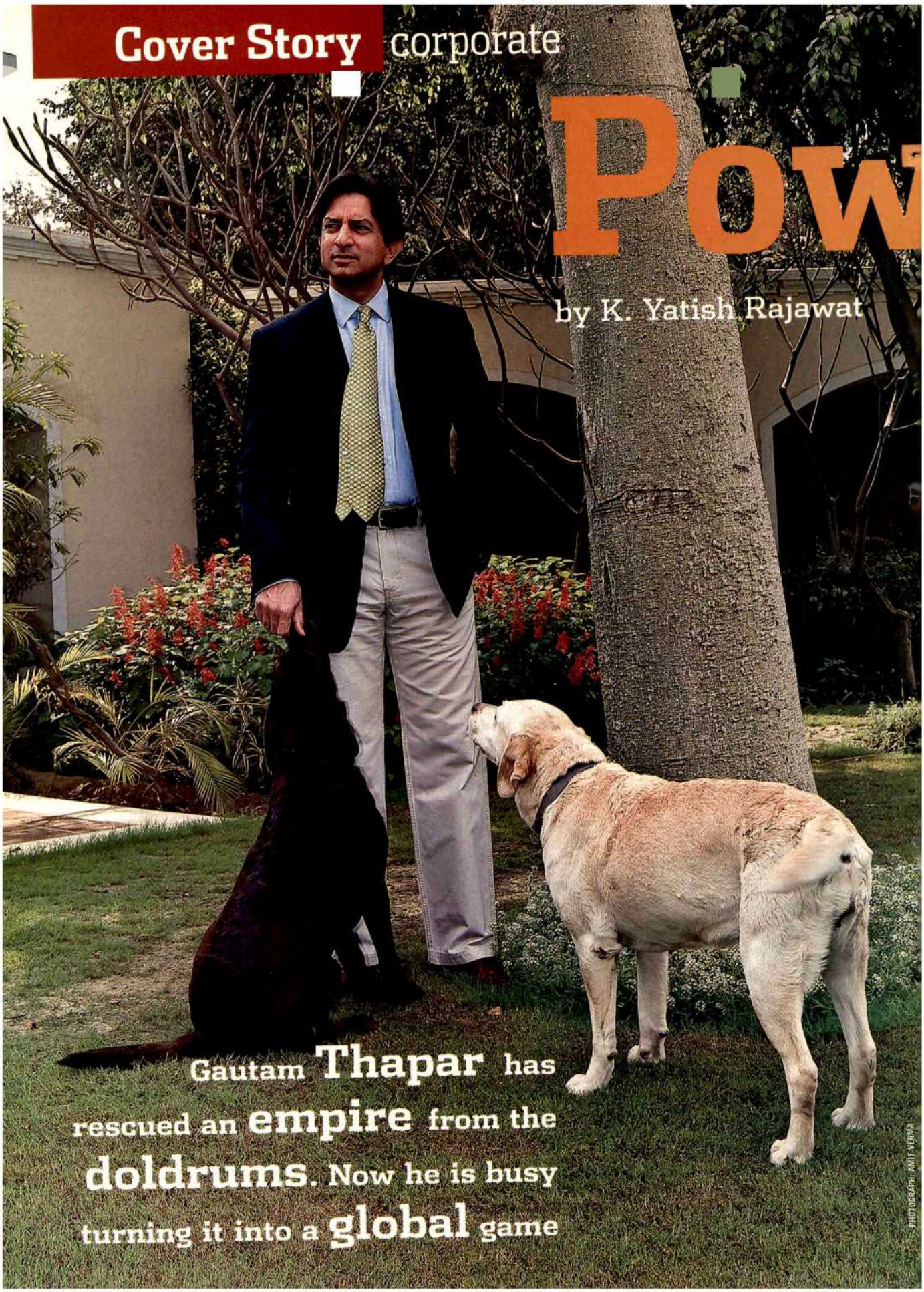
What does it mean for other nations? The more developed the nation is, the higher is the likely subsidy, and the lesser is the scope for individuals to reduce the total emissions below a certain level. Many people interviewed for the MIT study were reluctant to make lifestyle changes. "People make lifestyle changes only when the price is right," says R.K. Pachauri, chairman of the UN's Intergovernmental Panel for Climate Change. That means subsidies for public transport and taxes for private vehicles.

*p.hari@abp.in*

Cover Story corporate

# Pow

by K. Yatish Rajawat



Gautam **Thapar** has rescued an **empire** from the **doldrums**. Now he is busy turning it into a **global** game

PHOTOGRAPH: AMIT VERMA

# er Player

IN THE LATE 1990s, THE COMPANIES under the Thapar family umbrella were in a shambles. Founded by Karam Chand Thapar in 1945 and led by his son, the consummate Lalit Mohan Thapar (LMT) for close to four decades, the family's flagship paper company Ballarpur Industries Limited (BILT) was in serious financial trouble. A diversification into an array of non-core businesses — from media (*The Pioneer* newspaper) to prawns — had taken its toll on the ability of the company to focus on its core competencies. Mismanagement and low company morale had weakened it further. Its net profits shrank dramatically to Rs 3 crore, and it was suffocating under a debt burden of nearly Rs 700 crore. Vultures from the business landscape began to hover around the company, waiting for it to become a BIFR (Board For Industrial & Financial Reconstruction) case so they could pick it clean.

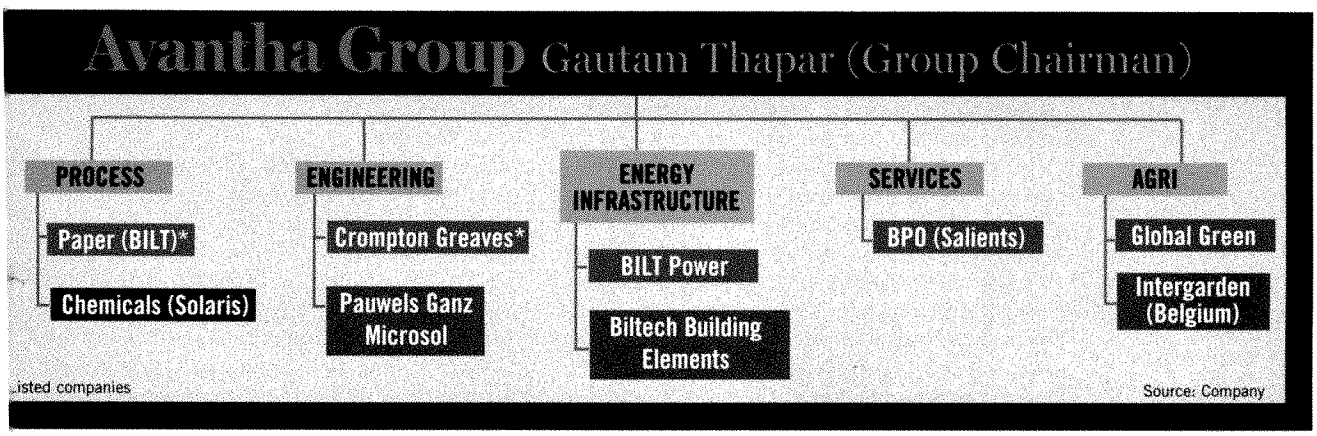
A little under 10 years later, the conglomerate — renamed Avantha — is healthy and thriving following a remarkable turnaround. It recently posted revenues of over $3.5 billion. The two main businesses under its aegis — paper company BILT and transformer manufacturer Crompton Greaves — have increased their market shares and are feared and respected by their competitors.

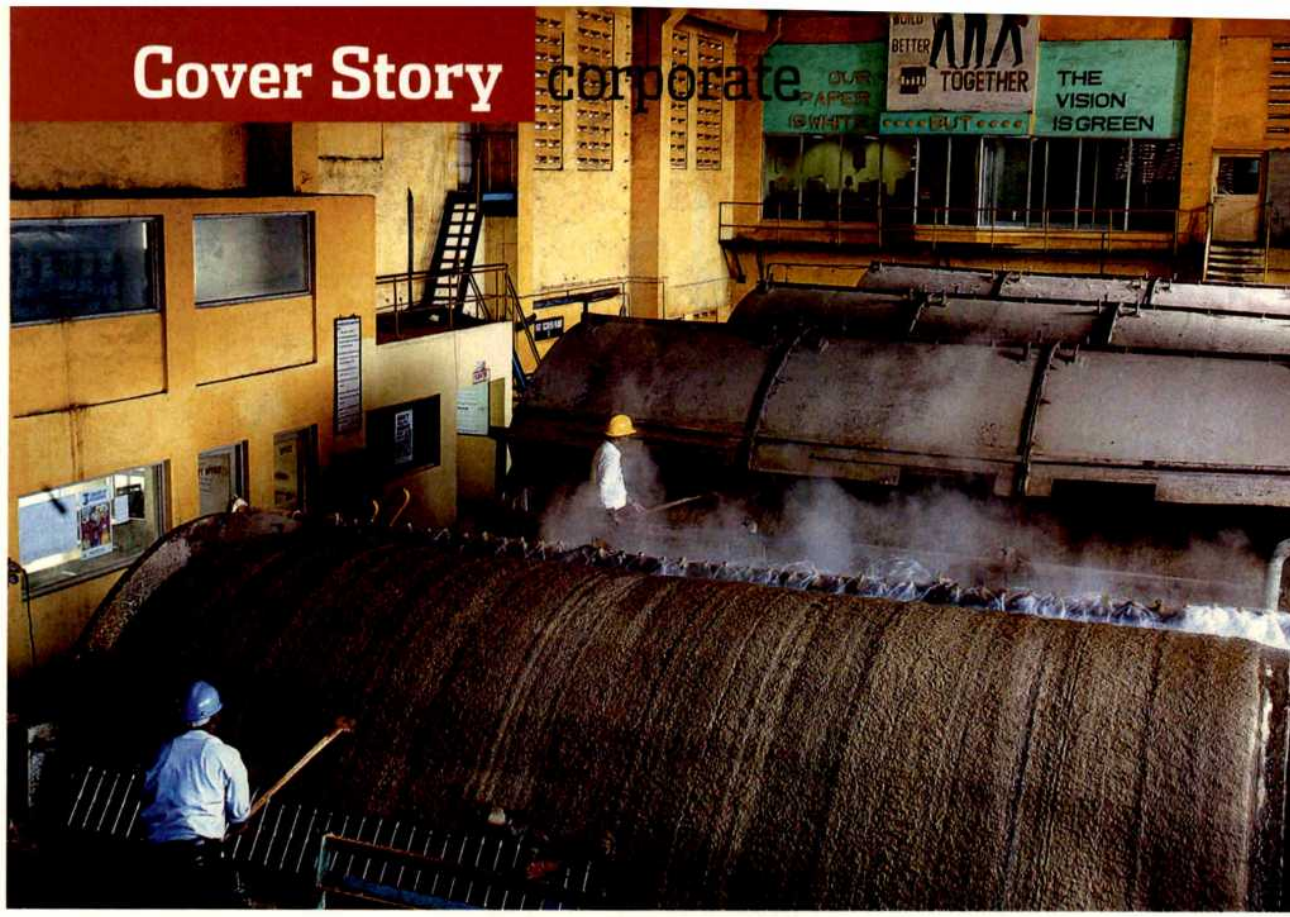
The knight responsible for breathing life back into the Thapar family's fortunes is Gautam Thapar (GT), nephew and unlikely heir to LMT's mantle. Dubbed the 'turnaround man' years ago by the business community for his gritty resuscitation of many of the family's businesses, Thapar is now attracting a new label for himself — that of a global visionary. Delhi-based Dalmia Cements Managing Director, Puneet Dalmia, who attended a case study on BILT at IMD Switzerland a couple of year ago, says, "Gautam Thapar has rebuilt the reputation of a family-run business. His perseverance to ensure that what he thinks or plans happens is remarkable." In the last few years, GT has engineered a series of bold international acquisitions — such as Malaysia's largest paper company Sabah Forest Industries (SFI) and Belgian power equipment company Pauwels — in an effort to get access to raw material, expand market share and enhance product offerings. According to equity research firm Edelweiss, "The key risk to BILT's business is availability of raw material (primarily wood) till the government allows the industry to set up plantations. Escalation in energy costs, primarily coal, could impact margins. Delay in project execution may impact future estimates. And, reduction in import duties may not augur well for the industry."

While BILT's acquisition of SFI was undertaken purely to provide much needed pulp to its

**EXECUTIVE SUMMARY**

- **Gautam Thapar has made bold international acquisitions for raw material, market share and technology**
- **The biggest challenge for him is to integrate his global acquisitions with his Indian operations while building a global corporate culture**






BLOOMBERG

**BUILDING LINKAGES**
**To transport pulp to BILT plants in India in the cheapest and most efficient manner is a major concern**

Indian plants, GT's acquisitions in the power-equipment segment signal his ambition to be a global leader in the industry. Much like Suzlon's Tulsi Tanti and Ratan Tata, he has gone on an overseas acquisition spree to gain valuable access to superior technology as well as providing Crompton Greaves with valuable markets for its products.

However, much like acquisition-happy companies such as Suzlon, Avantha's major challenge will be to efficiently integrate its overseas operations with its Indian ones. With SFI, how well teams from two different cultures gel with each other will be a pivotal issue. Strategic consulting firm Mckinsey's partner in Delhi, Gautam Kumra, says, "Companies go global for technology, markets or raw material." GT has done all three. Now, will he be able to overcome the challenges?

Figuring out how to transport pulp to its plants in India in the cheapest and most efficient manner is another major concern. As far as Crompton Greaves is concerned, the question of how to structurally integrate its various sales, marketing and distribution wings from recently-purchased entities will give GT and his managers lots to chew on. According to a report by Lehman Brothers, Crompton Greaves' "international business order book (Rs 3,025 crore over the next 18 months) is healthy but there are risks of some impact from the sub-prime crisis. The company's international subsidiaries, Pauwels, Ganz and Microsol, face risks from the US housing crisis. A slowdown in housing investment has led to a slowdown in distribution of transformer business for the company in the US and a similar situation is panning out in the European markets."

### Paper Problems

One of GT's significant success stories has been paper company BILT, where he first started his career 17 years ago. The key problem with paper firms in India is that they do not have a global production scale, mainly because their mills are perennially short of the raw material used in the industry — pulp. Local law prohibits private ownership of forest land. This means Indian paper companies have small paper mills spread all across the country, and while these firms are profitable, their margins pale in comparison with those with plants in China.

### Going Shopping

GT first addressed the issue of domestic scale by snapping up local paper company Sinar Mas for Rs 450 crore in 2001. Ironically, Sinar Mas was the local subsidiary of Indonesia-based giant Asia Paper and Pulp — a company that was largely responsible for crippling BILT in 1999 when it entered the Indian market. The gambit worked. "It took us six months to turn around the operations. While the local operations were breaking even, their production was low. We

raised the production from 85,000 tonnes to 125,000 tonnes in just six months," remembers Rajive Vederah, who heads BILT and was with Sinar Mas before it was acquired.

While this improved the issue of scale on the domestic front, the shortage of pulp was still a thorn in the company's side. Consequently, GT decided to go shopping once again, but this time abroad. In 2007, BILT acquired Malaysian company SFI for $260 million. SFI owns vast tracts of forest, and therefore promised a massive supply of pulp. While some of GT's competitors in Asia think he overpaid, his rivals at home feel otherwise. "It was a brilliant strategic move... now they have at least ensured supply of raw material," says the CEO of a paper company in India.

However, while the SFI acquisition was a huge success, no one knows how BILT plans to keep fuelling its plants in India with raw material — a potentially costly and logistics-heavy enterprise, requiring gigantic ships and an effective supply chain. "We are still working on our strategy for using the resource base in Malaysia," confesses Vederah. "We can build a global-scale paper plant near the forest land, and then integrate the production or supply with our distribution network in India," he says. As always, this is easier said than done.

## The Numbers Game

You would imagine that India, being the fastest-growing paper market in the world with a consumption of 8.3 million tonnes, is an exciting industry to be in, or at least to keep track of. Instead, paper appears to be a profoundly unsexy business. There is almost no interest in stocks of paper companies in the Indian market. Among ten large brokerage houses that *BW* contacted not one of them had an analyst covering this sector. Consequently, BILT's valuation, at a paltry P/E of 6.5, was abysmally low.

To address this problem, the Avantha group decided to do some innovative financial restructuring. "We created a structure where private equity investors could come in and they have given a valuation of 11.5 times," explains CFO of Avantha Group S. Hariharan. SFI and a part of the paper business were spun off into a new company, BILT Paper Holdings (BPH), registered in the Netherlands. BILT divested 20.5 per cent of BPH for $175 million to private equity investors. The flip side of this financial re-engineering is that "when a listed entity does a subsidiary and creates two sets of investors in the same business, it can lead to challenges in managing the transfer pricing or costing inter-company," says Rahul Bhasin, managing partner of Baring Private Equity India.

## BILT To Last?

In addition to figuring out its supply-chain issues, the answer to how well BILT will be able to emerge as a major paper player with global solutions for its domestic problems lies in how well it manages to integrate its overseas operations with its Indian ones.

In this case, cultural integration will be a major issue. "We are trying to build a culture where cross-cultural teams will work together," says Lav Shelat, Group HR head of Avantha. "For instance, you don't drag on the afternoon meetings in Malaysia as it's a Muslim country and our employees go for their prayers at that time. These are some of the small things which we have learnt," he adds.

GT has other ideas up his sleeve. Bolstered by his retail experience as a board member of shoe retailer Bata India — which recently broke into the black after revamping its business model — GT has decided to diversify into retail and branded paper products as well. This will involve setting up stationery stores across the country and an inventory of products under the brand name Matrix. To allay the high cost of real estate, the new retail stores will be in the range of 1,000 to 3,000 square feet.

## An Underdog's Tale

GT's Darwinian rise to the top of the Thapar heap is a story of an underdog whose drive, ambition and intellect powered him to where he is today. A self-professed 'outsider' within the Thapar clan, GT was the least likely to have inherited the reins of the family empire.

Karam Chand Thapar (KCT), GT's grandfa-

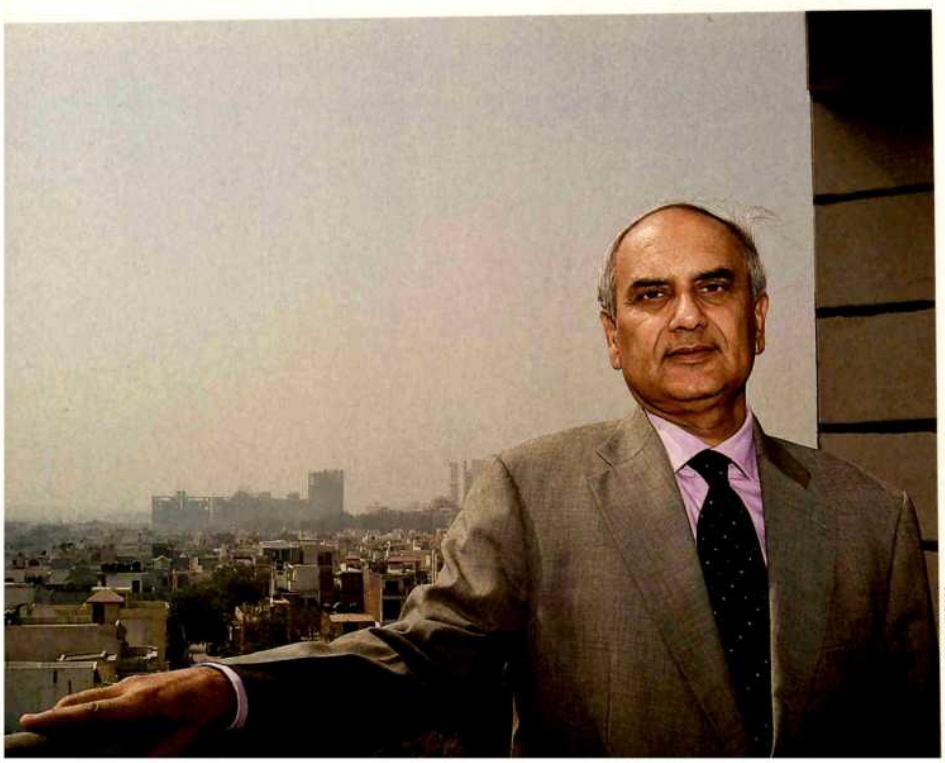
**GLOBAL STRATEGY**
**BILT bought Malaysian SFI, which owns vast tracts of forest, for supply of pulp**

ther, was a coal trader in Calcutta who eventually went on to establish a host of companies including textile company JCT Ltd and paper concern Ballarpur Industries. When KCT fell ill in the early 1960s, his eldest son Inder Mohan was not given the job of running the empire. Instead, the next brother in line for the job, Brij Mohan — Gautam's father — was offered the post, but he declined citing a lack of confidence in himself. The burden of leadership ultimately fell on the 33-year-old third brother, Lalit Mohan Thapar (LMT) who became head of the family's concerns.

Coming from a family line that was only minimally invested in managing the family businesses meant that GT remained the less well-heeled cousin who was substantially distanced from the affairs of the family businesses. When it was clear that his cousin Vikram, son of the first brother would inherit LMT's position as group head, GT washed his hands off the family and left for Pratt University in the US for his undergraduate studies.

GT eventually returned after his degree with no plans, a deep distaste for the Thapar headquarters at Janpath in New Delhi and lots of time to waste. Concerned about his son's aimlessness, Gautam's father Brij Mohan managed to convince a senior BILT executive whom he knew to take his son under his wing. Soon GT began spending days in the office, lounging around, watching others go about their work. Ultimately, remaining aloof from his family businesses proved impossible and GT began to get more and more interested and involved.

**WELL-BILT**
**Rajive Vederah, managing director of Ballarpur Industries Limited (BILT)**



AMIT VERMA

### The Turnaround King

GT showed that he had a natural knack for business, despite no formal education in it. He turned around a small, sick textile company and then built up BILT's brand in the export business. By then, he had caught the eye of his uncle LMT who, in 1993, handed him a chemicals division which was struggling due to water, power and labour problems, to sort out. GT turned it around and posted profits within a year.

By then the die was cast. Expected to hand over the keys of his business to nephew Vikram Thapar by 1995, LMT made a shock announcement. He would stay on as chairman and MD while Vikram was going to remain deputy MD. It was clear that GT was now the man to beat for the top slot.

Around this time, the family businesses began to come apart at the seams. During the 1970s and 1980s the Thapar group was counted among the top ten business entities in India. However, by the late 1990s, most of the group companies, such as JCT Electronics, Greaves Cotton and even BILT, were struggling for survival. LMT was an amiable sort, a charmer and a man-about-town. However, he was known to be feudal in his approach to managing people. Moreover, he had diversified BILT into so many businesses that it became a leviathan, impossible to manage well. Almost all of its businesses were bleeding. Management was self-serving and lazy. And then the entrance of Indonesian giant Asia Paper & Pulp into the Indian paper market sounded the death knell for BILT.

Gautam rushed in to orchestrate a rescue act, rolled up his sleeves and went to work with a vengeance. He scrapped cousin Vikram's expansion plans, sold the group's non-core or loss-making businesses and cleaned up the balance sheets of those firms within the group's stables. He also sold a third of the family holding to raise capital. His efforts almost instantaneously breathed new life into the beleaguered companies.

BILT's profits increased while Crompton Greaves went from a loss of Rs 147 crore in 2000 to a marginal profit in just 18 months. By then, Vikram was not interested in hanging around watching Gautam running the show and the family was forced to divide the businesses, with GT crowned MD of BILT in 1999. When GT found himself addressing a bunch of scions of family businesses, he gave them a piece of advice that speaks of his rise more eloquently

than anything else. "Leadership is about desire for power, and power cannot be granted. It has to be taken," he said.

## Powering Up

A hefty chunk of GT's reputation as a 'turnaround supremo' revolves around the way in which he has transformed power-equipment manufacturer Crompton Greaves from an industry laggard to a global player. With more than Rs 7,000 crore revenues, Crompton Greaves is Avantha's flagship company. Crompton Greaves classifies its business into three segments: power systems, industrial systems and consumer products. The company's product portfolio encompasses the entire distribution chain after the process of power generation and ranges from transformers to electric fans.

Like BILT, Crompton Greaves was a blue chip company, with a very strong management structure. But ironically, it was the management that brought it to the brink of bankruptcy in the late 1990s. From one of the most respected and admired companies in India, it had bottomed out, with rapidly shrinking market share, margins and profits.

Gautam handpicked S.M. Trehan, who had been with the company for 36 years, for the turnaround task. Trehan slashed the workforce from 10,800 employees down to 5,300. He pared down joint ventures from 18 in those days to just three that exist today. He sold the group's telecom license in the South and closed down unviable businesses. He also shifted factories from high-cost Mumbai to Goa and Ahmednagar where the cost of production was much less. "The first part was to put our own house in order, starting from the top," explains Trehan.

It was not enough. GT wanted Crompton Greaves to be a global player in its businesses. He was interested in foreign acquisitions for both market access and technology.

## Going Global

In 2004, Crompton Greaves made its first acquisition — Belgian-based Pauwels, a company hobbled by chronic losses that GT snapped up for a song in a distress sale that cost him a mere €36 million. Pauwels' basic problem was mismanagement and GT turned it around in record time. GT's success with Pauwels has spurred him on to loftier goals. Since then, he has acquired two more companies: Ganz in Eastern Europe and Microsol in Ireland. According to GT, Crompton Greaves will make two more acquisitions in the next six months, primarily in the distributions systems business. As a result of these decisions, Crompton Greaves is growing at a robust 25 per cent clip, and that too despite heavy ad spends by domestic competitor Havell, who GT does not even consider a legitimate threat.

Again, integrating European operations with the Indian ones will always be a challenge, but from all accounts, the senior management teams in Europe seem well-meshed with top management in Mumbai. However, most significant challenge is making its consumer business — which sells things such as fans, home appliances and lighting products — hum along like its power transformers.

Crompton Greaves of today is a very different creature from Crompton Greaves three years ago. Today, it has customers around the world and gets 48 per cent of revenue from outside India compared with 2005 when it was nil. GT's intentions are very clear — to build a global franchise that can compete with the best of the best. "There is no point for Crompton Greaves to go to the West and say, here I am, I am going to sell you cheaper transformers," GT says. "If it has to build its name in the West, it has to build its name through good, competent manufacturing technology. It has also to build it reputation through higher technology and services."

Never short of ambition, GT is now planning a plunge into the next logical business — power generation. He is planning to invest $1.5 billion into building two power plants of 1,200 MW each but under a separate company called BILT Power and Infrastructure. He has also diversified into other areas: Global Green, his packaged food firm, is targeting another acquisition. His chemical business under Solaris Chemtech is looking to make a foray into Europe.

All of this is great news for Avantha. Yet the group's very significant challenge is how well it can integrate disparate entities that it continues to scarf up and create a reputable brand for its customers. Not only do these businesses' front- and back-end operations have to sync well with each other, but their managers — from different countries and cultures — have to perform as one seamless unit. Till then, the turnaround man has his hands full.

*yatish.rajawat@abp.in*

SUBHABRATA DAS

**KING ENGINEER**
**S.M. Trehan, managing director of Crompton Greaves**

# Bush And Oil Prices

**by omkar goswami**

LOCATED IN ONE OF THE MOST BEAUTIFUL PROmenades in Europe, the headquarters of the Organisation of Petroleum Exporting Countries (OPEC) must rank as one of the worst looking buildings in the world. On the banks of the Danube in the heart of Vienna, it is white, squat and devoid of any aesthetics — almost as poor as the organisers' pseudo art deco logo.

This ugly building houses the globe's most powerful cartel. OPEC was formed as a permanent inter-governmental organisation in September 1960. From its inception, OPEC's objectives have been explicitly cartel-like; I quote: "OPEC's objective is to *co-ordinate and unify petroleum policies* among member countries, in order to *secure fair and stable prices for petroleum producers*; an efficient, economic and regular supply of petroleum to consuming nations; and *a fair return on capital to those investing in the industry.*" (emphasis mine)

OPEC has 13 member countries. It began with five: Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Subsequently, others joined the organisation: Qatar, Indonesia, Libya, the UAE, Algeria, Nigeria, Ecuador and Angola.

There is no doubt that over the last couple of years, the OPEC has become an incredibly successful cartel. From end-January 2007, it has kept global crude prices higher than $50 per barrel; from April 2007, at levels higher than $60; from September 2007, at above $70; from the second half of October 2007, at above $80; from late February 2008, at over $90; and from 14 March 2008, at over $100 per barrel. As I write this article, the OPEC's weighted average basket is quoting at $111.66 per barrel. More ominously, on 28 April, OPEC president Chakib Khelil, Algeria's oil minister, warned of the prospects of crude at $200 per barrel.

Applied game theory explains why it is very difficult to maintain successful price or quantity cartels over long periods. More often than not, cartels tend to fail because of 'free-rider' problems. Even when all members informally agree to restrict supplies to obtain a high price, a few always have incentives to quietly deviate. A small producer is tempted to produce a bit more than what was agreed to, assuming that he can free-ride on the price and also not get detected.

**We are all paying the price of the US becoming public enemy number one in the Middle East**

Moreover, the punishment to deviations is very difficult to implement and, hence, not credible. The classical response to free-riding is for every other member, especially the big producers, to immediately increase output, drop prices and hurt the deviant. But the act of doing so hurts all non-deviants as well. That makes the cure more painful than the disease — and explains why cartels live with some free-riding in good times, and face difficulties in reaching quantity/price fixing agreements in periods of poorer demand.

In fact, until 2007 the OPEC was not viewed as a price-gouging cartel. Barring 1973 and 1979, it has see-sawed between cutting and raising quantities. Till September 1999, crude was below $20 per barrel; and it remained below $30 right up to March 2004. So, what has made the OPEC so successful in not only maintaining hard prices, but steadily stepping these up to over the $110 mark?

Economists will tell you about the rising demand from India and China, uncertainties in supplies, and the role of commodity speculators. These are valid reasons. But to my mind, the biggest factor of them all is a man called George W. Bush.

If Bush had only alienated Hugo Chavez of Venezuela, the oil-consuming world would have breathed easier. But he has put off Iran, the UAE and, most importantly, its biggest oil-producing ally, Saudi Arabia. Gone are the days when the President of the US could have a quiet word with the King, and have the Saudis exercise restraint on the OPEC. Not so long ago, Bush's father, George W.H. Bush, was welcomed as an honoured guest of King Fahd at Riyadh. Today, King Abdullah doesn't feel the same about the son or his emissaries. For instance, Dick Cheney's last visit to Saudi Arabia was only politeness. The Saudis are irritated with Bush's confrontational style; the US upsetting their neighbourhood, and not bothering to consult with them.

Thus, Thanks to Bush' bellicose body language, the Saudis watch from the sidelines. Not once since September 2007 has the largest producer in the OPEC spoken of increasing supplies to dampen prices. With the Saudis remaining quiet, every other producer is making hay, including US-haters like Mahmoud Ahmedinejad of Iran and Hugo Chavez.

The US has become public enemy number one in the Middle East. And we are all paying the price. Long live Dubya!

---

The author is chairman of CERG Advisory.
*omkar.goswami@cergindia.com*

Our quality lies in the standards we set for ourselves. We think change is an adventure. We are prepared for the future. CDI, the largest animation film outsourcing company in South Asia is presently working on prestigious international assignments worth US$65.80 million. With a phenomenal growth of over 360% in just 5 years, CDI is fast emerging as the undisputed leader in the animation film industry in Asia. Our co-production partners include WhiteLight Entertainment, makers of block buster films - Jurassic Park, The Lost World, Schindler's List, Casper, Twister, Rain Man, Flintstones etc. Winners of 19 Academy Awards including 2 for Best Picture.

South Asia's No.1 Film animation company

GAMING ○ ANIMATION ○ MOVIES

CDi
Redefining Entertainment

## Compact Disc India Ltd.

SCO 856, NAC Manimajra, Chandigarh - 160101, India Tel +91 172 2734331 / 5076870 Fax +91 172 2733014
E-mail : info@compactdisc.co.in Website : www.compactdisc.co.in

SINGAPORE | MALAYSIA | INDIA | UNITED KINGDOM

BUZZ inc .com

tes & Ticketing
flight tickets to Singapore for board meeting: Rs. 40,000
hotel reservation and chauffeured car: Rs. 35,000
someone to take care of it all: priceless
*Terms and conditions apply. MasterCard is the registered trademark of MasterCard International Inc.
McCann/MCARD/571.08

## Enjoy 10% saving across all flights & hotels with the new MasterCard Titanium card.*

Book your tickets at Yatra.com and get exclusive discounts on all domestic and international flights and hotels. Also get access to dedicated travel planners, priority reservations and customized vacation packages.

Success always comes with its perks. A comfortable life, no matter where you are, is just one of them.

**Other MasterCard Titanium Specials:**

Exclusive access and discounts at 15 premier golf courses.*
*Call the MasterCard Golf Concierge at 011- 46015757.*

Exclusive access to MasterCard airport lounges.

yatra.com
smarter way to travel

*To book, log on to www.mastercard.yatra.com or call 0124-3040790.*

MasterCard

there are some things money can't buy,
for everything else there's MasterCard.

## In Conversation

# 'People here dare'

**–Ben Verwaayen**
**Chief Executive, British Telecom**

**BT (formerly British Telecom) was among the first global telecos to set foot in India in partnership with Bharti. But as part of a global strategy, it exited the wireless space much before the valuations of its investment had seen any exponential growth. However, it is now betting on India again, in its new avatar as a wireline network company. Days before he stepped down from the post of Group CEO of BT, Ben Verwaayen spoke with *BW*'s M. Rajendran and Rajeev Dubey on the lost opportunity and how BT plans to make up for it in the wireline network space. Verwaayen leaves BT after more than six years, during which he led the transformation of the company. Excerpts:**

**Q: Does it disappoint you that BT squandered away the start that it had?**

**A:** I do not see it that way — it's a matter of being objective. We never wanted to be a domestic player. Firstly, it was not available; it is always good not to be what you cannot be. Secondly, it is not in our strategy. Nowhere in the world, we want to be a domestic player — we want to be a global player, and go for globalisation. One thing we have brought to India is globalisation. I think we are the premier carrier of capabilities into India.

**Q: But BT exited early from Bharti in the wireless space?**

**A:** You can also ask why aren't we in the wireless space in Portugal, or in China, or in the UK? We do not play there. So why should I place them on the map? It is not our strategy. We have made different bets and I think we have made some very good bets. It is called operations — which we do for a living and that is going very well. It is the IT network services, the convergence between what was IT and what was classical network. I think what we are building is a communication services company for the future.

In addition, we feel that India is a massive part of our success.

**Q: There is 3G opportunity that is coming up, and the WiMAX opportunity. How do you see BT positioning itself?**

**A:** We want to make sure that the people, the companies and the organisations can work on a global basis. And we use for that the capability of technology end-to-end. So we do not have a geographical approach. We do not want to be a telecom operator in Uzbekistan, or, for that matter, in India. We want to make sure that people, wherever they are, can work together.

It is not about saying 'Hello' and sending a fax. It is about having design sets, computer systems interacting with other computer systems on a global basis, and adding value to that. That is what we do for a living.

So 3G to me is just another technology that may or may not deliver. You have to ask our friends in India how to deliver what ultimately we want to give — that is service capabilities to multinational corporations. If they see it fit to use technology A, B or C, fine. But that does not mean that we are going to exploit it on a national basis. Certainly not. It is outside the scope of enterprise work and we are an enterprise company.

**Q: What is the BT centre at Gurgaon all about?**

**A:** It's a knowledge centre. What I like very much is that you move from the call centre to the operation centre and then you go on to the knowledge centre. Knowledge centre means that you get self-creation, you get brains. It is no longer doing what something you thought you would do, but it is that you create capabilities.

**Q: What would the knowledge centre be able to do and achieve?**

**A:** Knowledge is, I guess, the capability to buy smarter, to contract better, to relate better, to buy better - managerial focus points in a global environment. That is a good thing.

**Q: What are your views on the concept of a mobile virtual network operator?**

**A:** Every interesting concept fits into a service concept. And MVNO is a service concept for us. We have all kinds of new broadband facilities and portfolios, to which MVNO now will add value to the broader experience. Just exploiting MVNO for the sake of MVNO is a very difficult business. You have to be razor sharp about the way you organise yourself, because you make most of your margins on sale-resale. But if you put it in the service context, we think it has its own great merits.

**Q: What are your afterthoughts on the valuations rush for 3G in Europe?**

**A:** I think the world is much wiser now on this subject than it was in 1999-2000. We have also done risk analysis and, I think, wisdom is helpful in a time of investment.

**Q: You moved into network in the IT space...How difficult is it there?**

**A:** It's fun. It's great. It's growing. People say, the times are tough, which is true in certain segments. Interestingly, there are two reasons to use it (network space). Either to expand into new markets, or to reduce costs. Funnily, if times are not booming, people will vote for costs. They have realised that if you use global sourcing, it is a great way to get a much better grip on your costs. And if they need somebody to help them to do that, they come to us.

If times are better, people want to take the global brand to go to other markets. There may be a different rationale behind it, but so far we have seen a weakening in the trend. You need to make your benefit understood by the customers. Otherwise, you are commoditised.

## Fast Facts

Established
**1846, as first commercial telecom company in Europe**

CEO
**Ben Verwaayen**

Headquarters
**London, UK**

Revenues
**£20.2 billion**

Employees
**106,200**

Business
**Networked IT services, telecommunication services, broadband and internet services, converged fixed /mobile solutions and services**

**Q: You met politicians; you also spoke to your team in India. What is your assessment of India as a market?**

**A:** I know India now for many years. I love this country. I am really committed to the concept and the idea of building a society based on, I would say, entrepreneurial capabilities and knowledge. Then I take one-step back and say, if I look to the business environment, I look for predictability, I look for capability to develop talent, to grow this talent, and I look for capability to dare to dream. That is all here. I find people here who really dare to do remarkable things and get the space to do it. Yes, it has a political landscape. But then, give me one country where there is no political landscape.

**Q: In which part of BT's business have you seen the maximum growth happening?**

**A:** In global business. In the domestic environment, we have to work very hard to justify the investment in the long term for a relatively low-growth number. On a global basis, we are the challenger, we go out in the market, and that is where we are the best. One goes hand-in-hand with the other because for the long term you need to have capability, you need to have the strength of understanding what happens in this sector and you need to have the depth of knowledge.

So it is a kind of portfolio of activities. We have a very good balance to do what we need to do. As we are focusing mainly on enterprises, we do have a fairly good connection with them. Therefore, it is a combination of various things. I guess it would take time to lead to that.

When the stockmarkets are very tough, as they are today, you get not the appreciation for the goods; you get the fee to put a bet. That is what the market is, and so be it. When the sun shines, you enjoy the sun, when it rains you buy an umbrella. That's how life is.

**Q: Will India be able to buy whatever you are selling?**

**A:** I am a pretty confident person. So I am pretty confident that we can do that.

**Q: What is the significance of a BT board meeting in India?**

**A:** It is symbolically a huge step. The board went to America, then to Italy and now it has come to India.

It is important I think for the board not to just make abstract decisions about professionals and people and development, but to also show our colleagues in India that we are all of that. It is not for India to show to the board, but it is for the board to show to India. That is why we are here to see the finance minister, the prime minister and other ministers. We are going to make sure to show ourselves to India as much as India has to show herself to us.

**Q: So, what is the new learning curve for BT?**

**A:** Over the past three years we have learnt that not every business is the same, and so people like experience in the sector. To have expertise in the sector and understand your customers' business is truly important.

The second thing we have learnt is from the National Health Service project, which is a huge project that is now running extremely well; without hesitation I could say that we are probably the best firm in the business. It is bringing the right people on board as soon as possible and also the skill sets necessary to run large global enterprises.

Large global projects were not necessarily in the DNA of a telco. So, I think, we have learnt that if you get the right leadership, it will really mean a lot. Right leadership is absolutely essential.

And the third element is, about becoming global. We have talked about it I think for about five years. If I am honest today, I think we didn't understand what (being) global was in the beginning. We thought we did, but we did not understand what is global in its real sense.

Truly global means that you are close to the customer wherever the customer is, and you do not think about culture and other circumstances because it is in your nature to be here.

**Q: After India, what? Is China going to be your next stop?**

**A:** Yes, for sure. China is too important to ignore. The question always asked is, is it India or China? It is a ridiculous question. It is India and China. That is the answer. You cannot ignore 1.1 billion people, just as you cannot ignore 1.3 billion people. Not even if you want to. So the competition should be different. The competition should not be label to label, India to China; the competition should be on specific capabilities. Moreover, there is a huge opportunity to collaborate.

*rajeevdubey@abp.in*

# Our compensation is based on your growth. Not ours.

TELL THE WORLD WHAT A GREAT WORK PLACE YOUR COMPANY IS.
This exclusive section in Businessworld (in partnership with ClickJobs.com) is your opportunity to attract talent that means business. Showcase your strengths and vision to build an HR brand. Finally, HR gets a voice!

PURPLE PATCH

For research and value added services write to : purplepatch@bworldmail.com. For advertising enquiries: North: Meenakshi Jha (meenakshi.jha@abp.in, +91 9899043937) East: Aniruddha Chatterjee (aniruddha.chatterjee@abp.in, +91 9903385226) West: Suprokash Mukherjee (suprokash.mukherjee@abp.in), +91 98191 49454) Bangalore: Bharat Srinivasan (bharat.srinivasan@abp.in, +91 98862 90197) Chennai: R.V. Praveen (r.v.praveen@abp.in, +91 98840 14966) Hyderabad: Amit Sinha (amit.sinha@abp.in, +91 9849426157)

BATES DAVID ENTERPRISE 1585

# Help us to bring you a better English News Channel

Dear Reader,

NewsX aims to appeal to people like you, India's leaders and new generation of achievers. People of intelligence and confidence, who demand well researched and thought provoking news; who thirst for insight, not just facts; who want clarity in a world they know is complex.

We would like to hear from you . Please do fill up this questionnaire.

We hope you already find NewsX – India's premier 24 hour HD TV English news channel absorbing and valuable. But to help us tailor our content as closely as possible to your interests and needs, we are conducting a survey to gauge your feelings about us and TV news in general. We would also like to ask you about your media habits and lifestyle. We'd appreciate if you would complete this questionnaire and post it to us with your complete name & address or business card. Alternatively, you can complete the questionnaire online by visiting http://newsx.com/survey

## Your viewing of NewsX

**Q 01 How frequently do you watch NewsX?**

- Every Day ☐
- 4-5 times a week ☐
- 2-3 times a week ☐
- Once a week ☐
- 2-3 times a month ☐
- Once a month ☐
- Less often ☐
- Never ☐

**Q 02 On an average how long do you watch NewsX each time?**

- Not Applicable ☐
- Less than 15 mins ☐
- 15 mins ☐
- 30 mins ☐
- 1 hour ☐
- 2 hours ☐
- Over 2 hours ☐

**Q 03 Which, if any, of these sections do you watch?**
(Please tick all that apply)

- Headlines ☐
- NewsX Live ☐
- Working Lunch ☐
- Sports Round up ☐
- Morning News ☐
- Entertainment ☐

**Q 04 To what extent do you agree or disagree with the following statements about NewsX?**
For each please indicate how much you agree or disagree, using a 3 point scale.

| | Agree | Neither agree nor disagree | Disagree |
|---|---|---|---|
| NewsX covers subject areas that I cannot find elsewhere | ☐ | ☐ | ☐ |
| I find the NewsX content relevant and topical | ☐ | ☐ | ☐ |
| NewsX story coverage is indepth and analytical | ☐ | ☐ | ☐ |
| NewsX helps keep me informed about sports | ☐ | ☐ | ☐ |
| I would recommend watching NewsX to friends/colleagues | ☐ | ☐ | ☐ |
| The adverts in NewsX are useful/ interesting | ☐ | ☐ | ☐ |

**Q 05 Thinking of NewsX which other channel (s) that you watch has/have a similar content? Please name up to three channels.**

- .....
- .....
- .....

**Q6 Overall, how would you rate NewsX ?**

- Excellent ☐ • Fair ☐
- Good ☐ • Poor ☐

**Q7 What are your personal expectations from a premium news channel?**

.....
.....
.....
.....

## Your media consumption

**Q 08 How often do you watch English language news channels from Monday to Friday?**

- 4-5 times a week ☐
- 2-3 times week ☐
- Once a week ☐
- 2-3 times a month ☐
- Once a month ☐
- Less often ☐
- Never ☐

**Q 09 How often do you watch English language news channels on weekends?**

- More than 5 times per month ☐
- 3-4 times per month ☐
- 1-2 times per month ☐
- 2-3 times per quarter ☐
- Once a quarter ☐
- Less often ☐
- Never ☐

**Q 10 Do you have a DTH connection at home?**

- Not applicable ☐ TATA Sky ☐
- Dishtv ☐ DD Direct ☐
- Others ☐

**Q 11 Do you have a CAS subscription?**

- Yes ☐ No ☐

**Q 12 Do you subscribe to?**

- Business Dailies ☐
- General interest magazines ☐
- Business magazines ☐
- International publications ☐
- Special interest magazines ☐

**Q 13 How often do you access a news website ?**

- Several times per day ☐ • Once a week ☐
- 6-7 days per week ☐ • Less often ☐
- 4-5 days per week ☐ • Never
- 2-3 days per week ☐

**Q 14 Do you subscribe to news alerts on your mobile?**

- Yes ☐ No ☐

# About yourself

**Q 15 Are you ...?**

- Male.....❑ Female...❑

**Q 15 How old are you?**

- Under 25.....❑
- 25-34.....❑
- 35-44.....❑
- 45-54.....❑
- 55-64.....❑
- 65+.....❑

**Q 17 How often do you travel overseas every year?**

On Work

- Once or twice a year.....❑
- 3-5 times a year.....❑
- 6-10 times a year.....❑
- More than 10 times a year.....❑
- Never.....❑

On Pleasure

- Twice a year or less.....❑
  Thrice a year or more.....❑
- Never.....❑

**Q 18 How many cars do you / your family own?**

- One.....❑ More than two.....❑
- Two.....❑ None.....❑

**Q 19 Do you have any of the following at home?**

| | Yes | No |
|---|---|---|
| • Multiple TV sets | ❑ | ❑ |
| • Plasma/LCD | ❑ | ❑ |
| • Home Theatre System | ❑ | ❑ |
| • Modular Kitchen | ❑ | ❑ |

**Q 20 What sport do you play / watch?**

| | Play | Watch | | Play | Watch |
|---|---|---|---|---|---|
| • Cricket | ❑ | ❑ | • Snooker | ❑ | ❑ |
| • Golf | ❑ | ❑ | • Bridge | ❑ | ❑ |
| • Squash | ❑ | ❑ | • Motor Sports | ❑ | ❑ |
| • Tennis | ❑ | ❑ | • Others | ❑ | ❑ |
| • Football | ❑ | | | | |

**Q 21 Are you a member of a club?**

| | Yes | No |
|---|---|---|
| • Your own membership | ❑ | ❑ |
| • Corporate membership | ❑ | ❑ |

**Q 22 Do you have multiple club memberships?**

Yes ❑ No ❑

**Q 23 Do you subscribe to any private banking / wealth management services?**

Yes ❑ No ❑

**Q 24 Do you own / are planning to invest in a holiday home?**

India Yes ❑ No ❑
Overseas Yes ❑ No ❑

**Q 25 Do you order mineral water in a restaurant?**

Yes ❑ No ❑

**Q 26 Do you look at the wine list in a restaurant?**

Yes ❑ No ❑

**Q 27 Do you order wine with your meal?**

Yes ❑ No ❑

**Q 28 Do you usually fly?**

On Pleasure First Class....❑ Business.....❑ Economy.....❑
Business First Class....❑ Business.....❑ Economy.....❑

**Q 29 Which of the following best describes your position/job title?**

- Owner / Partner.....❑
- President / Chairman.....❑
- CEO / CFO / COO.....❑
- Managing Director / Finance Director.....❑
- Chief Information Technology officer.....❑
- Department Director / Head of Department / Vice President.....❑
- Other Managerial level / Executive.....❑
- Consultant.....❑

**Q 30 Which of the following broad areas are your main areas of activity at work? (Please select up to two)**

**Management Strategy**

- General Management.....❑
- Corporate Strategy / Consulting.....❑

**Finance & Banking related**

- Retail Banking Services.....❑
- Corporate Banking Services.....❑
- Wealth & Asset Management.....❑
- Accountancy / Management Accountancy.....❑
- Actuarial / Insurance.....❑

**Business Services**

- Legal.....❑
- Sales / Marketing.....❑
- Communications.....❑
- Procurement.....❑
- HR/ Training.....❑
- Finance.....❑
- Production.....❑
- Logistics.....❑

**Technical Services**

- E-Commerce / Business Systems.....❑
- IT / Telecommunications.....❑
- Scientific / Technical Services.....❑

**Public Services**

- Government / Politics .....❑
- Education / Medical / Health.....❑
- Other (please specify).....

As a token of appreciation for participation in the survey, INX shall offer a prize of two (2) First class return air tickets on Singapore Airlines to Singapore from New Delhi/Mumbai to one (1) of the participants ("winning participant") from amongst the first 1000 completed survey questionnaires.

All duly complete survey questionnaires must be received during the term of the survey commencing on 29th April, 2008 and ending before midnight IST on 31st July, 2008 ("closing date").

Please send in your replies at the following address:
INX News Private Ltd, P.O. Box No.- 4082, Mumbai-400007.

Your reply will be treated in the strictest confidence – the results will only be used in statistical format and you will not be contacted by any other company.

TERMS & CONDITIONS
Participants must be over the age of 18 years.

Employees of INX Media & INX News, and its associate companies, and members of their families, and anyone directly associated with the survey, persons with criminal convictions, are not eligible to participate in the survey.

By participating in the survey, the participant agrees and acknowledges having read and understood all rules and regulations of this survey conducted by INX News Private Limited ("INX") for its English News Television Channel NewsX. For detailed terms & conditions log on to http://newsx.com/survey

**NewsX - Now available on Dish TV (608) Tata Sky (540) and across all cable networks.**

**NewsX - Clarity in a Complex World**

NEWS™

**INX**NEWS

'X' & 'NewsX' logo devices are trademarks of INX Media Private Ltd. 'NewsX' wordmark is a trademark of INX News Private Ltd.

# Strange Behaviour

**by srikanth srinivas**

HOMER SAID THAT "THE FREE-MARKET LONG-term rates of interest for any industrial nation, properly charted, provide a sort of temperature chart of the economic and political health of that nation". This may help explain why in the 15th century, Charles VIII of France had to pay 100 per cent for a war loan to Italian moneylenders, while Italian businessmen could borrow at 5-10 per cent. In the 17th century, Dutch merchants borrowed at 1.75 per cent at the same time when the Spanish Crown borrowed at more than 40 per cent. And as recently as 2 January 1990, *The Wall Street Journal* reported that banks in Argentina were offering depositors 600 per cent per month on large deposits.

**The long history of interest rates upsets preconceived ideas of high, low or average rates**

As the introduction in Homer's book notes, interest rates in the 20th — and the 21st — centuries have been as much a subject of political controversy as they were in antiquity. By the way, we aren't talking about some ancient Greek author but the late Sidney Homer, limited partner at Salomon Brothers and author of the classic *A History of Interest Rates*.

The book uses illustrations from India as well. In rural India, grain was used as an important medium of exchange and a standard for deferred payments. Sowing seeds and food were borrowed for repayment at the next harvest, the usual repayment being double the quantity borrowed. If that looks too high, remember that grain at harvest time is cheaper than at seed time. In India's north-eastern region, Naga tribes-people loaned out cows and buffaloes; after one year the amount repayable was double, which equals 100 per cent. Contrast that with loans of coin among the Naga: it brought less interest, usually 50 per cent.

As many economists and writers have observed, interest rate behaviour is maddeningly difficult to understand, and yet critical to the entire economy. What determines interest rates and where they are going? Events in the real world regularly demolish market participants' understanding of interest rate behaviour.

In today's context, most of the movement in interest rates is determined by changes in inflation expectations, which, in turn, operate on perceptions about the Reserve Bank of India's (RBI) actions to determine short-term interest rates. And inflationary expectations are being reassessed by banks, and money markets in light of recent data that raised inflation, as measured by the wholesale price index (WPI), to nearly 7.5 per cent.

In its annual monetary policy for 2008-09 announced on April 29th, the central bank expects inflation to be anywhere between 5 and 6 per cent and economic growth to be above 8 per cent.

Interest rates changes are a part of a broad asset-pricing process, taking into account considerations of returns on other assets, the return on assets denominated in different currencies, and the outlook for inflation.

They are a useful guide to the evolving economic scenario when viewed together with other important economic variables, such as exchange rates and stock prices. On that score, there appears to be little cause for worry. Both, stockmarkets and the interest rates have remained steady.

As anticipated, the RBI continues to moderate inflation expectations through liquidity management — that is curtailing money supply growth through another quarter percentage point increase in cash reserve ratio (CRR). But in the last financial year, liquidity conditions in the money markets were sometimes tight, and at others, rather loose.

As the central bank's policy statement noted, "movements in interest rates in the domestic financial markets reflected the factors driving changes in liquidity with the banking system during 2007-08". And the RBI has stated that active liquidity management will be the instrument of choice, an 'uncertainty premium' for borrowers and lenders is likely to persist.

Short-term rates — or the RBI's policy rates — also determine the carrying costs of longer-term debt; in addition, they indicate the RBI's assessment of where the economy is headed. By keeping its policy rates unchanged, the central bank has relieved businesses to a great degree about the growth outlook for the economy. But it allows for changes in stance if there is a global recession; true, we may be largely insulated, but are not isolated from some adverse impacts if conditions deteriorate globally.

If the volatility in interest rates over the last few decades is anything to go by, we live in an age of political and economic excesses — in other words, very interest-ing times.

*srikanth.srinivas@abp.in*

# PROFESSORS
# ASST. PROFESSORS • LECTURERS

**In all areas of Management including**
**Marketing • Finance • HR • Wealth Management • Retail Marketing • Insurance management • Information Technology • Systems**

**Qualification : Doctorate** and 10 years teaching experience or 15 years industry experience for Professors. **Doctorate** and 5 years teaching experience or 10 years industry experience for Assistant Professors. **Doctorate** and 3 years teaching experience or 6 years industry experience for Lecturers. Only those who satisfy the prescribed qualifications and experience need apply.

**Age Limit :** Professors - 45 years, Assistant Professors - 40 years and Lecturers - 35 years.

**Salary Range :** (Starting) Professors - Rs. 7.20 lakhs p.a., Assistant Professors - Rs. 4.80 lakhs p.a. and Lecturers - Rs. 3.60 lakhs p.a. - all based on qualifications, experience and standing as an academician or professional.

**SCMS-COCHIN** is a top B.School of India. Please visit our website for more about us.

E.mail/Fax/Surface mail your CV with photograph and filled up application format available in our website to our **Group Chairman at :**

# SCMS-COCHIN

**(SCHOOL OF COMMUNICATION AND MANAGEMENT STUDIES)**
SCMS CAMPUS, PRATHAP NAGAR, MUTTOM, ALWAYE, COCHIN-683 106.
Ph : 0484-2623885/87, 2623803/4 Fax : 0484-2623855 E-mail : scms@vsnl.com Website : scmsgroup.org

HI-DEVICES

# NATIONAL INNOVATION FOUNDATION

***.....MAKING INDIA INNOVATIVE***

National Innovation Foundation (NIF), an autonomous registered society supported by the DST, GOI based at Ahmedabad, invites application for below mentioned positions.

**1. Chief Innovation Officer** (CIO/CEO); 2. **National Coordinators** (3 Nos.) for Intellectual Property Rights (including licensing expertise), Scouting & Documentation and Information Technology & Dissemination divisions; 3. **Finance-cum-Administrative Officer**; 4. **Innovation Officers** at various levels and different background (Science, Agriculture, Pharmacy, Veterinary, Management, Engineering, Information Technology, Social Science, Law, Logistics, Communications, Journalism etc); 5. **CSIR-NIF Fellows** 6. **Copy Editors/Content Creators/Communicators** (English and Hindi)

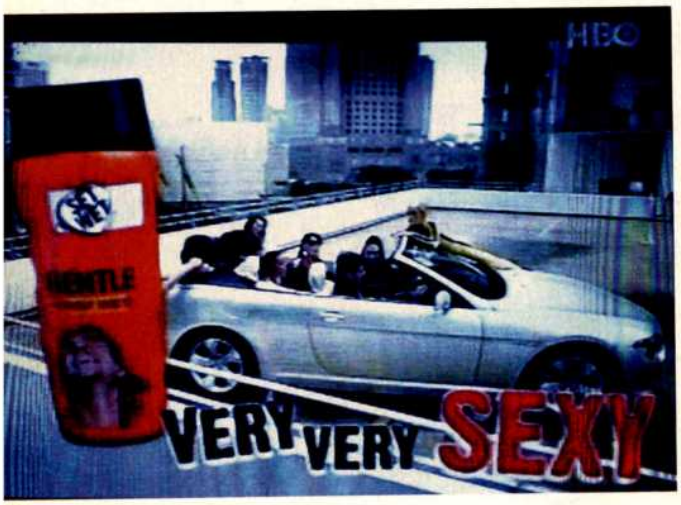
**Eligibility:**

**CIO:** Masters degree in Science or Management with 10 years experience. **NCs:** Masters degree in relevant area with 5 years experience **Innovation Officers:** Masters degree in relevant subject with at least two years experience. **CSIR-NIF Fellows:** Masters degree in above-mentioned fields with proven research experience. **Editors/Content Creators/ Communicators:** Master degree in Journalism, Mass Communications and Literature with 2-5 years experience

**Emoluments:**

**CIO:** Rs. 36,000-1,00,000 pm including all perks; **NC-IPR, NC-S&D and NC-IT&D :** Rs. 26,000–75,000/- pm including all perks. **F&AO:** Rs. 18,000-25,000 with HRA upto Rs. 4,000/-. **Innovation Officers:** Rs. 12,000-36,000 consolidated per month depending on qualification and experience. **CSIR-NIF Fellows:** Consolidated 10,000/- to 25,000 per month. Please send your applications with a detailed CV, passport size photograph, sample of work/reports and a note explaining the suitability for the post applied to **The Executive Vice Chairperson, National Innovation Foundation, PO Box - 15051, Ahmedabad 380 015**, email (jobs@nifindia.org) within 21 days of the appearance of the advertisement. For Detail, please see http://www.nif.org.in/openings

**Note :** 1) The candidates, who have applied for above-mentioned posts or have been short listed already, need not apply again. 2) Applications without suitability note will not be considered. **(Advt. No. : NIF/Advt/02/08)**



# Stop The Deluge!

**by Gurbir Singh**

**The law to restrict television ads is extant, but people care less**

WATCHING A LATE EVENING MOVIE ON ZEE CINEMA is not easy. Whenever the action builds up, an ad break starts. Good time to get a Coke before hurrying back to the TV set, you think. The rush turns futile because the channel is still playing the Vodafone pug ad. A trip then to the bathroom to brush one's teeth till the ads play out. Well, on return, there is a promo on for a forthcoming movie on the channel. Just when the temptation arises to switch off the television set, the movie resumes.

For those not in the know, a law exists that clearly supports the frustrated TV viewer. In July 2006, the Union Information & Broadcasting (I&B) Ministry, reacting to consumer complaints, amended the Cable Television Network Rules, 1994 to limit advertising to the Hong Kong norm of 12 minutes to the clock hour. Rule 7(11), thus, states, "No programme shall carry advertisements exceeding twelve minutes per hour, which may include up to ten minutes per hour of commercial advertisements, and up to two minutes per hour of a channel's self-promotion programme."

International norms, strictly enforced by broadcasters abroad, match the Hong Kong schedule. In the UK, the overall cap is 10 minutes, while the US regulator stretches it to 15 minutes to the clock hour.

**ROUTINE INFRINGEMENT:** The mid-night slot is most heavily overloaded in most entertainment channels

Unfortunately, the viewer has to suffer the overdose of unwanted ads and promotions by either sitting through them or surfing off to another channel. Either way, broadcasters are wasting his time. In a bid to beat the remote, broadcasters have synchronised their ad breaks so that the channel surfer hits an ad even if he shifts to another channel.

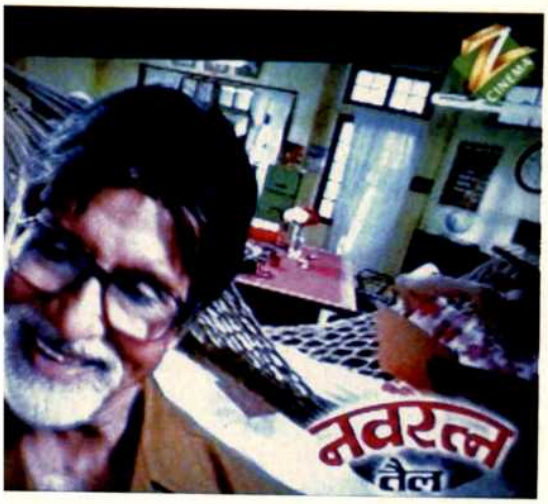
## Violation Is The Norm

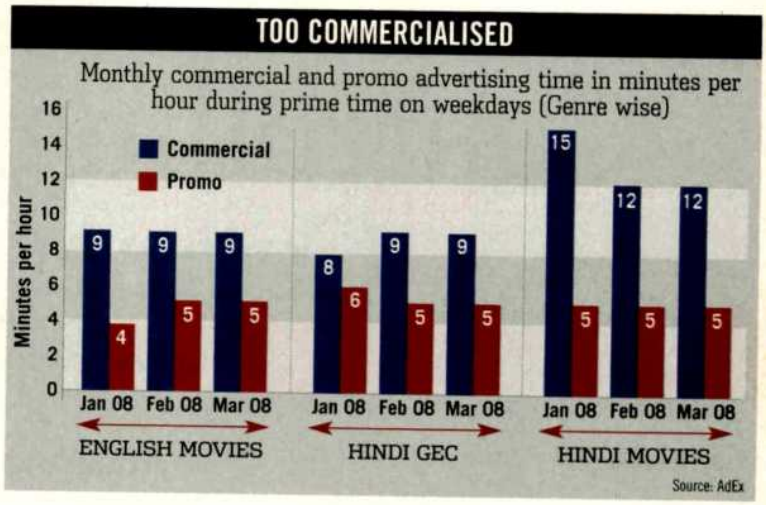
*BW* requested AdEx — the data collection arm of TV audience tracker, TAM Media — to examine the advertising and channel promotion time for channels. A look at Hindi entertainment, Hindi movies and English movies for January, February and March this year during prime time, that is, 8.00 p.m.-11.00 p.m. on weekdays, show that the law is being violated routinely. For instance, in January 2008, Hindi movie channels aired an average 15 minutes of advertising per hour against the permissible 10 minutes, while promos took up five minutes against the permissible 2 minutes — a total of 20 minutes to the clock hour against the permitted 12 minutes. (See table 'Too Much Commercialised' on page 47)

TAM's data revealed that the 9.00 p.m.-to-midnight slot is the most heavily overloaded. In the news genre, too, where advertising is cheap, broadcasting networks load 15-18 minutes of advertising and channel promotions.

Most ad sales executives treat the ad time violations with cavalier disdain. Rohit Gupta, Sony's executive vice-president for ad sales, flatly denies any violation for his network. "We may be doing 13 minutes for our General Entertainment channel," he says. "But then, there is no growth in distribution revenue. What is the government doing about under-declaration?"

Prior to 2006, when there were no restrictions on ad time, Star was perhaps the only




broadcaster that stuck to the 10+2 norm. Reason: it was the rule in Hong Kong, where the network was headquartered. However, over time, the ad time norms have been slowly relaxed. For instance, Star Plus's new programme — *Kya Aap Panchvi Pass Se Tez Hain?* — has ad and promos creeping up to around 15 minutes to the hour. However, Zee TV in the past has been the worst offender with popular shows carrying as much as 12-15 minutes of advertising in half-hour soaps.

"There is always a run among advertisers for the popular programmes," Says Anant Panshikar, spokesman for the Videocon Group, which buys Rs 140 crore of airtime a year. "The channel programmers know they should give 23 minutes of programme content for their half-hour soaps, but 16 minutes has become routine, and for big shows even 12 minutes."

Unlike other forms of advertising, TV ad space is limited by the clock, and every advertiser wants to be where the eyeballs are — the popular soaps or, currently, the Indian Premier League (IPL) cricket on Set Max. "There is a paucity of primetime, and advertisers keep complaining that their spots get dropped," says Peter Mukerjea, chairman of recently launched INX Media and former CEO of Star India.

Says a longtime adman preferring anonymity, "Ultimately, buying ad spots is with the media planners. Since their commissions are being squeezed, all they want to do is to buy cheap airtime over many channels and collect their G.R.Ps." (Gross Rating Points is the percentage of the target audience reached by a media campaign.)

Mukerjea makes an interesting case that channels should deliberately cut back on the airtime for ads, thereby squeezing demand. "In Star, we more than made up the shorter ad time by hiking ad rates [in the pre-2006 regime]."

## The Law Has Teeth

For those not wanting to fall in line, it should be made known that the law is clear in respect of programme content and advertising in two separate codes in the Cable Television Network Rules, 1994. For instance, another pro-consumer provision in the Advertising Code is Section 7(10) of the Cable Rules that states: "All advertisement should be clearly distinguishable from the programme and should not in any manner interfere with the programme viz., use of the lower part of screen to carry captions, static or moving alongside the programme."

This was earlier aimed at cable operators superimposing scroll ads on the satellite broadcast signals at their head-ends. But the 'squeeze screen' ads we are regularly seeing on live IPL cricket broadcasts are a violation too.

The Cable Act has a strong enforcement code, too, that is lying on the backburner. Specifically, the Union I&B Ministry passed an order on 5 September 2005 authorising the setting up of district and state-level monitoring committees for the enforcement of the provisions of the Cable Network Act. However, the I&B Ministry has now noted that few districts have set up these committees, and Jammu & Kashmir is the only state that has such a committee.

The ministry passed another order on 19 February this year, giving more teeth to the monitoring committees. It has, for instance, defined an 'Authorised Officer' — one who can seize equipment and shut off channels for violating the Act — as a District Magistrate, Sub-Divisional Magistrate or a Commissioner of Police.

Couch potatoes can't complain that they have no forums for keeping TV channels at bay. All they have to do is to get off their TV sets and couches!

*gurbir.singh@abp.in*

# Controlling Cancer

**by devra davis**

IN 1971, US PRESIDENT RICHARD M. NIXON LAUNched a "war" against cancer. But, nearly four decades later, the battle remains focused on highly profitable efforts to develop drugs and technologies to treat the disease while virtually ignoring environmental factors that cause it.

True, cancer deaths have dropped chiefly because of long-delayed — and still poorly supported — efforts to curb smoking. Successes with screening and treatment of breast, colo-rectal, and cervical cancer have also helped.

But the blacks and other minorities in the United States — and elsewhere in the world — do not share in these successes, and environmental factors appear to explain the disparity. For example, while one in eight Americans is black, one in three is employed in sanitation or other blue-collar jobs. Moreover, they have half the level of cancer-protective vitamin D as whites, and they are much more likely to live in polluted neighbourhoods.

**Attacking known environmental carcinogens such as radiation, sunlight and benzene apart from tobacco is essential to curb cancer**

Indeed, cases of cancer that are not tied to smoking or aging are increasing. Cancer is the leading cause of death in middle-aged persons and children (after accidents), and we can't explain why, for most forms of cancer, death rates are higher for blacks than they are for whites.

What we can say is that the disease itself is the wrong enemy. Instead, we should be attacking known environmental carcinogens — not just tobacco, but also radiation, sunlight, benzene, solvents, and some drugs and hormones. Modern cancer-causing agents like diesel exhaust, pesticides, and other air pollutants are not systematically studied. When they are considered at all, they are deemed to be the inevitable price of progress.

But most cancers are made, not born, arising from damage to our genes that occurs throughout our lives. Despite having remarkably similar genes at birth, identical twins do not develop the same cancers. By age 50, their chromosomal bands are profoundly different from one another.

America's Centers for Disease Control and Prevention confirm that children's blood today contains dozens of chemicals that did not exist two decades earlier, including many gene-damaging compounds known to cause cancer and other diseases. Men and women of child-bearing age now carry many hormone-disturbing compounds in their bodies to impair their fertility.

Women exposed to higher levels of the pesticide DDT before the age of fourteen have a five times higher chances of developing breast cancer when they reach middle age. Could such compounds play a role in unexplained and growing rates of childhood cancer, testicular cancer, and non-Hodgkin's Lymphoma throughout the industrial world? Should we wait to find out?

While we are phenomenally successful at keeping young people from dying of cancer today, that success comes as a Faustian bargain. One of three young women treated with radiation to the chest to arrest Hodgkin's disease will develop breast cancer by age 32. Of course, many cancers might not have developed in the first place had these patients not been exposed to other cancer-causing agents in the environment. Our dependence on many modern conveniences makes us the subject of vast uncontrolled experiments to which none of us is asked to consent.

For example, the long-term safety of mobile phones remains unproven. Widely publicised studies in the early 1990's touting their safety excluded business users. Recent reports from France and Sweden find that those who have used mobile phones for ten or more years have double the risk of brain cancer. Also troubling is the fact that the limit for microwave emission from mobile phones is 500 times lower in Switzerland and China than in the US.

The limited nature of evidence on some environmental cancer hazards should not be confused with proof that no harm has occurred: the research is hard to do, and, in the US, very little of it is now funded by the government and private sector. Moreover, confusion about environmental cancer risks also results from longstanding, carefully cultivated, and well-financed disinformation campaigns inspired by the machinations of the tobacco industry.

We cannot afford to ignore the signs of the importance of the environment for our health. To address the scourge of cancer, we must complement efforts to detect and treat cancer with new ways to keep people from developing the disease in the first place.

Derva Davis is Director of the Centre for Environmental Oncology University of Pittsburgh Cancer Institute and Professor of Epidemiology University of Pittsburgh School of Public Health

songs that bring back
those great memories.
friends 91.9 fm,
just like the old times.
91.9fm
friends
bondhu...tomaar jonyo
come together with friends
BATES DAVID ENTERPRISE 2631

# Middle Path Closed

**by Vishal Krishna**

## Why a big-small vehicle combine works in trucking

EVERY TIME HARMINDER SINGH DRIVES DOWN TO Mumbai to make a delivery, he gets stuck at a toll gate. His medium-sized Tata truck is stranded for hours as these vehicles are permitted to enter the city only after midnight, to avoid congestion. "My competitors, who use the 25-tonne truck and the smaller sub 1-tonne truck combination, are delivering goods faster than my fleet," says the 27-year-old who owns Mumbai-based New Gurunanak Roadlines, a trucking company with a small fleet of medium-sized trucks.

At sunset, while Singh awaits his turn at the Vashi toll gate, near Mankhurd, a Mumbai suburb, large 25-tonne trucks unload vegetables, fruits and other cargo on to smaller trucks of less that 1-tonne capacity. These smaller trucks then rush in to the city's various markets before customers show up in the early morning hours.

This hub-and-spoke mode of transport has reduced delivery time from port to destination, and turnaround time. Twelve-tonne trucks, the primary carriers of goods into the city once, have become economically unviable in meeting the higher and growing demands of the urban consumer in greater volumes.

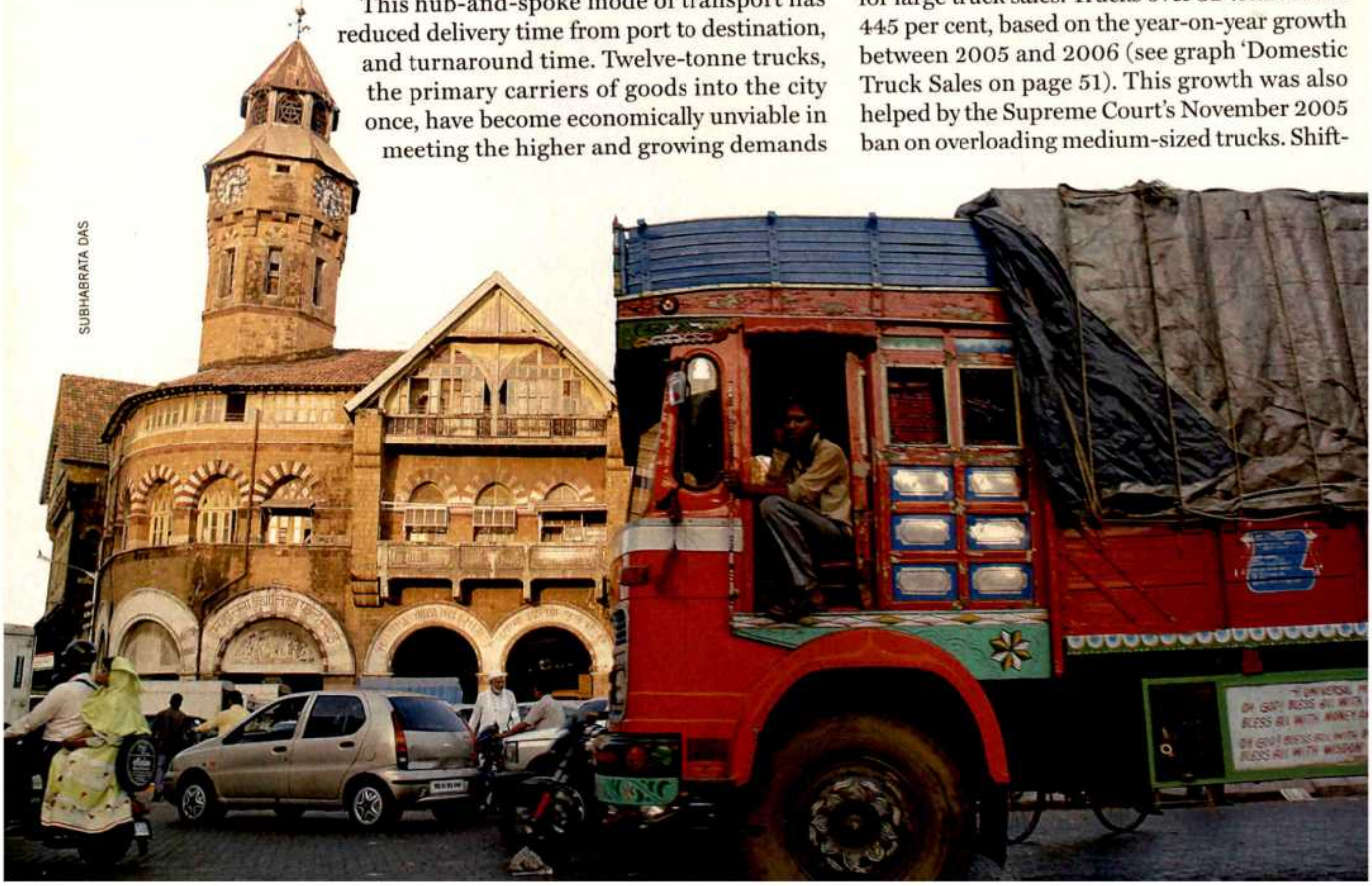
Everyone in the trucking industry anticipates a hub-and-spoke model to evolve, where major cities will be serviced by heavy and light trucks. And with it will come the facilitating superstructure. "Our research shows that large warehouses will be built around metros, therefore laying the foundation of this model," says P.M. Telang, executive director for commercial vehicles at Tata Motors. The challenges, he says, are in building the infrastructure that can allow large trucks to criss-cross the country. The rest, he adds, depends on the growth of the economy.

### The Numbers Add Up

Fleet operator Hardev Singh Ghuman, who owns Dashmesh Roadlines in Mumbai, switched from his 16-tonne trucks to the larger 25-tonners two years ago. "I have 20 multi-axle trucks, each of 25-tonnes capacity, and have sold most of my medium-sized trucks," he says. Though he is a relatively small operator, with a fleet of 30 trucks, Ghuman believes that the economics of a larger truck makes sense in today's rapidly growing Indian economy.

Just look at the container cargo handled in ports, which has grown at a rate of 18 per cent in 2006-07 and 23 per cent year last year (See chart 'Increase In Foreign Trade Leads To Growth In Cargo Handled To And From Ports' on page 52). The last four years were very good for large truck sales. Trucks over 32 tonnes sold 445 per cent, based on the year-on-year growth between 2005 and 2006 (see graph 'Domestic Truck Sales on page 51). This growth was also helped by the Supreme Court's November 2005 ban on overloading medium-sized trucks. Shift-

**NO CONGESTION:** Big cities have daytime restrictions on the plying of medium trucks



SUBHABRATA DAS

ing loads to a single truck meant solid growth, since costs, such as drivers' salaries, interest, toll taxes and fuel, could still come down.

"But sales have tapered off since 2007," says Sachin Mathur, head of automotive practice at CRISIL Research in Mumbai. "Yes, the absolute numbers still remain high and the heavy truck industry will grow." Compare the shift in 'rupees-per-tonne-kilometre' — a metric used to measure returns — when you compare a medium-sized truck with a large truck and one will see that the economics of the larger truck makes sense. Fuel costs form 65 per cent; drivers and interest (on the loan for the truck) are about 12 per cent each. Larger trucks mean more freight capacity. Besides, as costs have gone up, so have freight rates. Growth rate in freight revenues for the railways, the only competitor to trucks, has remained steady for the past 10 years; it has moved by only 6 per cent in this timeframe. Meanwhile, freight rates for trucks have moved up by 62 per cent largely because of the rise in fuel costs over the years.

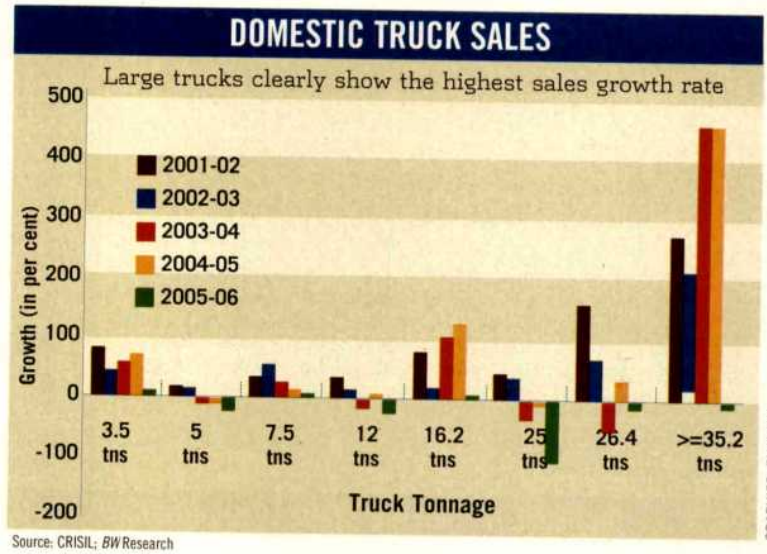
"But trucks will continue to dominate cargo transportation. They transport 60 per cent of the country's cargo," says Mathur. Cargo carried by rail is limited to edible oils, coal and cement; importantly, they do not have last-mile connectivity and are still dependent on trucks for that. Industry analysts also point out that while railways will continue to transport cement, steel and coal, it is the FMCG and the agri-retail segment that will fuel the growth of large trucks.

## Trucking On The (Bad) Highways

The economics may be on the side of a large truck, but the challenges are not small. First, they can be put to extensive use only if the highways in India can support their size. "If connectivity improves, medium-sized trucks can operate on inner state highways, leaving heavy cargo to be transported by larger vehicles," says N.R. Narayanan, group business head, vehicle finance at ICICI Bank in Mumbai. The state of the national highway system is getting better, but we have miles to go, literally, before we can say it's comparable to that in the US or Europe.

Second, large trucks are not inexpensive. "Fleet owners delayed purchases of the heavy truck last year due to higher interest rates," says Narayanan. In fact, rising interest rates hurt fleet operators. But analysts believe that interest rates will correct to 12 (from 13) per cent by the end of the second quarter of 2008. "This will allow the large truck segment to grow at 20-22 per cent this year," says Piyush Parag, analyst at Religare Securities in Mumbai.

Third, medium-sized trucks still account for a very significant amount of freight, despite




Source: CRISIL; *BW* Research

GRAPHICS: PUJA RAI

safety problems. "There has been some leniency in controlling overloading, and this has affected sales of both medium and large vehicles," says Rajive Saharia, executive director, marketing, at Ashok Leyland in Chennai.

Addressing these challenges requires changes on several fronts: an efficient enforcement of the Supreme Court's decree on overloading, hopefully better inflationary expectations and, thus, lower interest rates, and significant, rapid improvements to the national highway system and the supplemental infrastructure to support the use of large trucks — the development of warehousing, for instance.

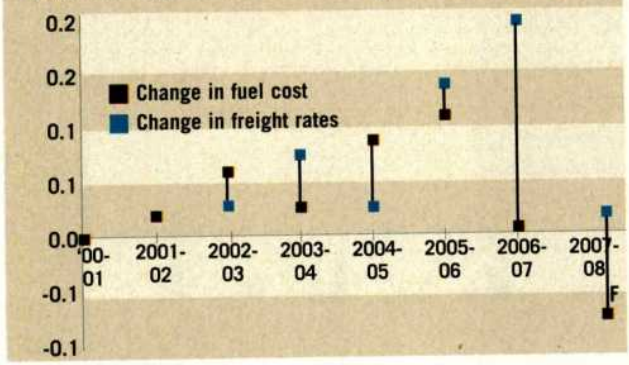
But is the demise of the medium-sized truck fleet inevitable? India's trucking industry is fragmented; 70 per cent of fleet owners have no more than five trucks. Many in this segment are former truck drivers who buy second-hand trucks from larger operators. "The smaller operator depends on large operators for business," says Kapil Arora, partner, automotive, at Ernst & Young, in Delhi. The small operators basically sub-contract from larger fleet owners, who they may have been employed with earlier.

On the other hand, financiers see growth potential in the large truck business; domestic consumption is still growing and large fleet operators show no signs of falling revenues. "Meeting interest rate payments are the least of the worries for fleet owners, since truckers are making money. Delinquencies are less than 1 per cent in our business, even with interest rates as high as 25 per cent," says Kaushik Banerjee, senior vice-president and business head at DBS Cholamandalam in Chennai.

Arora points out that industrial output — as measured by the index of industrial production — fell in 2007; interest rates rose, as did fuel

## OPERATOR PROFITABILITY ON THE RISE

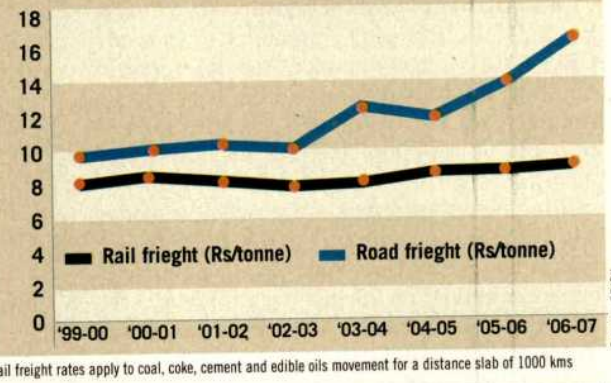
Rise in freight rates far outweighs rise in fuel cost




Source: TCIL, Industry, CRISIL Research

## ROAD VERSUS RAIL FREIGHT TRANSPORT

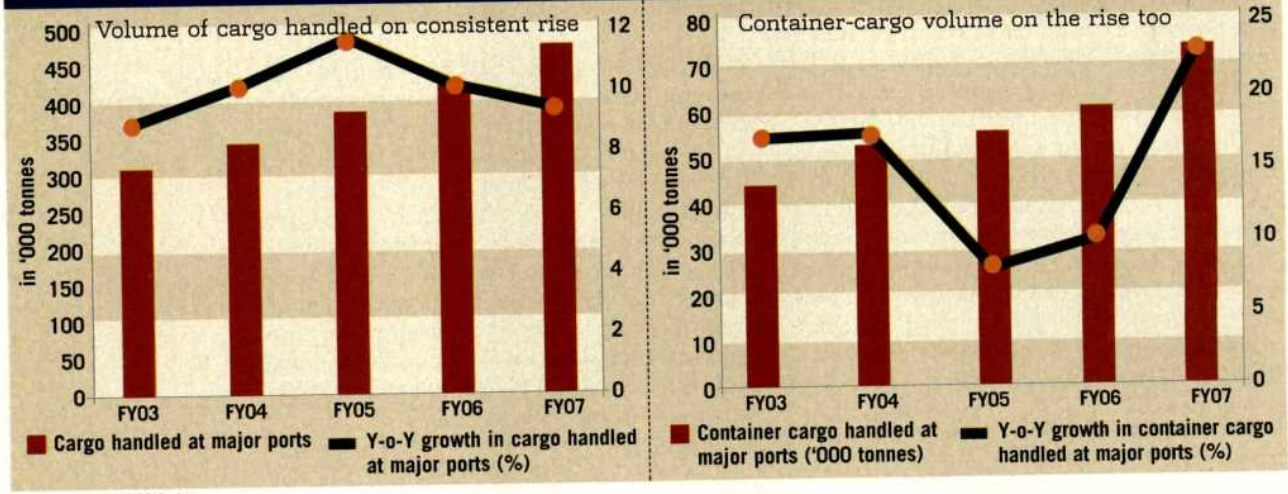
Road freight rates have risen dramatically




Source: CRISIL

Rail freight rates apply to coal, coke, cement and edible oils movement for a distance slab of 1000 kms

## INCREASE IN FOREIGN TRADE LEADS TO GROWTH IN CARGO HANDLED TO AND FROM PORTS




Source: IPA, Ministry of Shipping

costs. As trucking declines, the small operator gets hit the hardest. And there are big questions about the government's ability to sustain subsidised diesel prices, when oil is selling at close to $115 a barrel in global markets. Is then the death of medium-sized trucks just speculation? "The hub-and-spoke model is not a reality yet, even if everyone is talking about it," says Ramasubramanian, CEO of Eicher Motors Commercial Vehicles. Eicher is a dominant player in the mid-sized truck market and Ramasubramanian says, "There has to be a national policy on the subject for large truck sales to pick up."

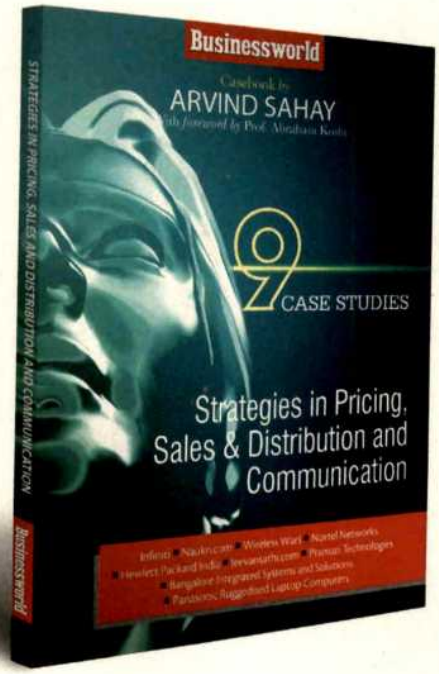
Others are also circumspect. "Demand growth has generated these expectations of a hub-and-spoke system supported by the large truck," says Yezdi Nagporewalla, national industry director at KPMG in Mumbai, a consulting firm. "Manufacturers are looking to build fuel-efficient trucks across different segments."

And despite the buzz created by the entry of Volvo, Scania and others, the large truck is not yet the massive threat some fear. "To get market share is difficult for the large truck because the peripheries of metros still do not have large warehouses to sustain these trucks," says R. Sridhar, managing director at Shriram Finance in Mumbai. "For now, the demand for the 10-16 tonne vehicle will continue, and their market share could come down from 25 per cent currently to about 18 per cent in five years."

As the scene at Vashi unfolds, drivers of the medium-sized trucks stand looking at the pace of activity as loaders scurry about and drivers shout out questions and instructions; this combination of large and small commercial vehicles poses a threat to Harminder Singh and his contemporaries. Asked what he plans to do, he shakes his head in bemusement. "I now carry cargo that goes in to smaller cities, such as Nasik and Nagpur," he says. "There are no congestion time restrictions in those places, and I can still operate my medium-sized trucks."

With inputs from Dhanya Krishnakumar
*vishal.krishna@abp.in*

# Three Mark ting subj ( ts
# Nine case studies.
# One powerful book.




By Prof. Arvind Sahay

- 9 insightful case studies from the IT Industry on strategies in pricing, sales & distribution and communication
- Authored by Prof. Arvind Sahay, IIM Ahmedabad
- Foreword by Prof. Abraham Koshy, IIM Ahmedabad

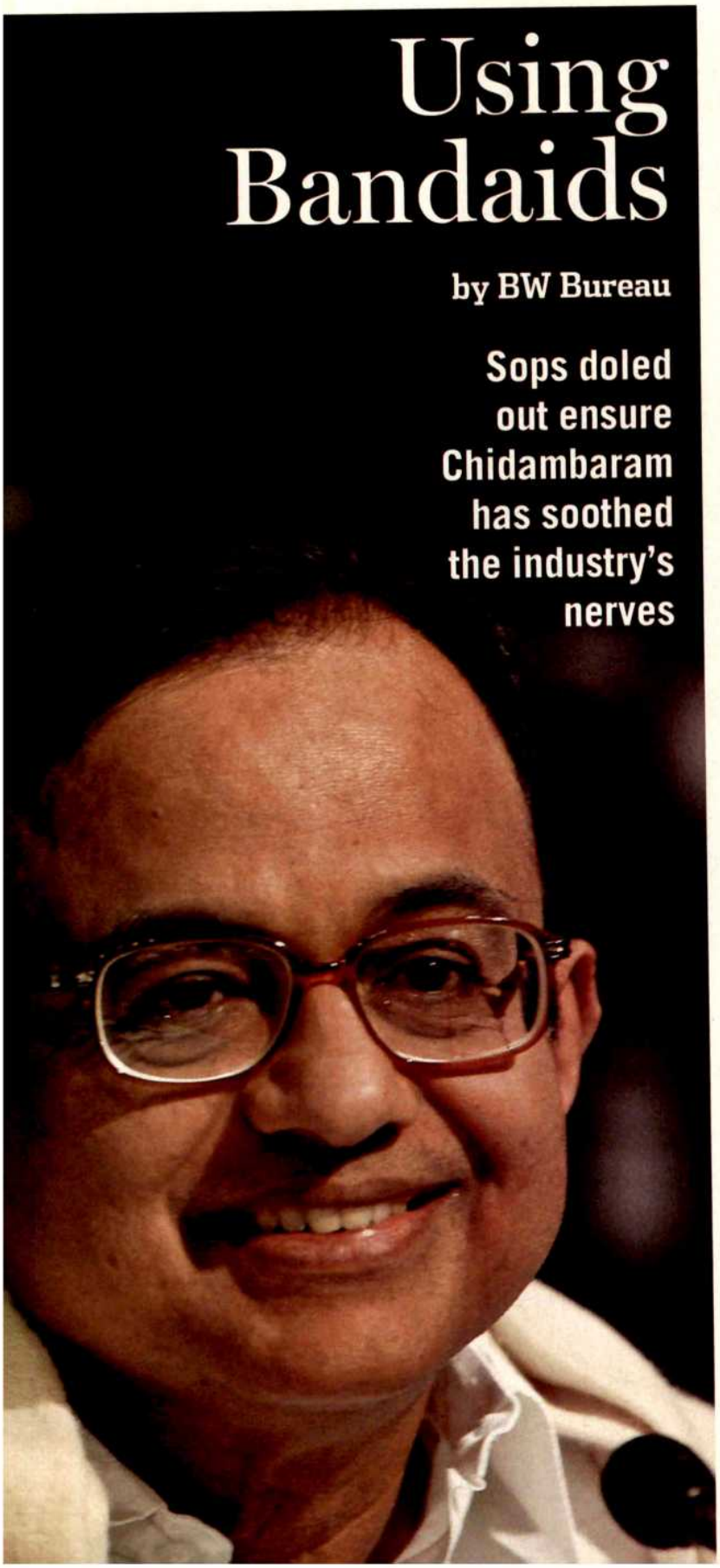
Price: Rs. 250/-

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

# Using Bandaids

by BW Bureau

**Sops doled out ensure Chidambaram has soothed the industry's nerves**



SANJAY SAKARIA

WITH AN ECONOMIC SLOWDOWN AND GENERAL elections both looming, political parties are vying to hand out sops to industry.

First, Parliament passed the 2008 Budget without a murmur. Then Finance Minister P. Chidambaram put on the same kinder, friendlier face he had on for the farm sector in February — when he wrote off $15 billion in small farmer loans — for India Inc. His speech in the Lok Sabha on Tuesday, marking the culmination of the debate on the Budget, handed out fresh sops and extended others nearing expiry.

Says Ficci Secretary General Amit Mitra, "The amendments to the Budget would curb inflation, which is a key concern for the government and the corporate sector right now." Prime amongst the Finance Minister's pacifiers is a one-year extension to the scheme granting tax-free status to information technology (IT) companies set up in software parks. (Also see 'Help From Above' on Page 23).

The tax relief, that enables savings of up to 10-15 per cent, was to expire next year based on the recommendations of key government panels.

Its critics have wondered why India's mighty software industry needs tax breaks. But Chidambaram bravely defended his decision. "As things stand, the Budget for 2009-10 may not be presented in February, 2009 but only after the elections... to avoid any uncertainty as we draw close to March 31, 2009, it has been decided that... the exemptions continued until March 31, 2010," the Finance Minister declared in the Lok Sabha.

Srikanth Balakrishnan, director at the Bangalore-based auditing and consultancy firm JCSS, agrees that the move will cheer the IT sector by helping "software units in tiding over losses in income due to the weakening dollar".

The Finance Minister has also sought to help companies battling to insulate profits from the unfavourable macro-economic shifts occurring at home and abroad by slashing customs and excise duties of a host of key industrial inputs and products facing sluggish demand. Sectors that have benefited include newsprint, skimmed milk, steel and cement.

And yet, the corporate sector may not be the biggest beneficiary of Chidambaram's sops. His parting shot could well turn out to be a political winner, says Mahavir Jain, director for taxes at JCSS. "It's a master move of not taking a bold step of extending (the tax break to IT companies) for five or more years to make the industry truly happy," says Jain. "If the next dispensation does not extend the tax exemption as recommended by various expert committees, Chidambaram will be in a position to take credit for

## WILL RBI DO IT AGAIN?

**THE RESERVE BANK OF INDIA (RBI) FIRED ANOTHER SALVO IN ITS fight against inflation by hiking the cash reserve ratio (CRR) by another 25 basis points (bps) to 8.25 per cent. The latest hike is the third in a row and follows the 50 bps two-tranche hike announced on April 17.**

**The RBI's move caught the financial markets by surprise as it was widely speculated that there could be hike in the repos rate with CRR remaining untouched. "The timing of the CRR hike is surprising because it is so soon after the 50 bps CRR hike announced on 17 April. This suggests that the RBI was contemplating a larger CRR hike earlier and decided to spread out the impact on banks. This was a prudent policy response, in our view, to the difficult challenge of slowing growth yet rising inflation," says Lehman Brothers' economist Sonal Varma.**

**There is also a technical reason for the latest CRR hike. While the two-tranche 50 bps CRR hike would have sucked out Rs 18,500 crore, there is an inflow of Rs 23,000 crore due on May 4 due to bond redemption. This would have negated the earlier increase of 50 bps in the CRR, and, therefore, the CRR hike of 25 bps.**

**Headline inflation eased marginally to 7.33 per cent during the week ended 12 April 2008 from 7.4 per cent as on 29 March 2008. The RBI said that in view of the lagged and cumulative effects of monetary policy on aggregate demand and assuming that supply management would be conducive, the policy endeavour would be to bring down inflation from the current high level of above 7 per cent to around 5.5 per cent in 2008-09 with a preference for bringing it as close to 5 per cent as soon as possible. And that means, the central bank can be expected to press ahead with another round of hikes if need be.**

**Ravikant Bhat, banking analyst at IDBI Capital Markets, is of the view that banks may take a call on deposit rates as the CRR hikes hurt banks' margins; and they do not get any interest on them as well. "Given the risks associated with increasing lending rates, a deposit rate cut makes better sense for banks. However, banks will have to be cautious as low deposit rates two years back were not helping banks grow their deposits and the incremental lending took place through liquidation of excess SLR. It can be another year of margins remaining under pressure," he says.**

**The RBI measures over the last year has seen the growth in non-food credit moderating to 22.3 per cent (Rs 419,425 crore) as compared to 28.5 per cent (Rs 418,282 crore) in the previous year. The incremental non-food credit-deposit ratio declined to 72.3 per cent during 2007-08 from 83.2 per cent in 2006-07 (109.3 per cent in 2005-06 and 130.0 per cent in 2004-05). This will lead to lower net interest income and spread, and lower profitability of banks over the medium-term.**

*Raghu Mohan*

being industry-friendly."

Amitabh Singh, a partner at Ernst&Young, also says that India Inc. will benefit from the Finance Minister's decision to relax — with retrospective effect — the time available to companies for depositing with the tax department the tax they deduct at source (TDS) from payments made to suppliers and vendors.

If companies fail to deposit TDS in time, they are barred from factoring expenses on hiring the vendors into income for the calculation of their own tax dues. Chidambaram has given six months for depositing the tax deducted at source, relatable to payments in the month of March, with retrospective effect from assessment year 2005-06 (covers taxes to be paid for financial 2004-05). Effectively, it's a three-year leash for companies on TDS.

The Finance Minister, however, disappointed the oil and gas exploration and production industry. In the Budget, Chidambaram had discontinued the seven-year 100 per cent tax exemption which refineries that had begun production after 2000-01 enjoyed. It affects all projects that would go into commercial production of "petroleum and natural gas" starting 1 April 2008.

The application of this tax break to the exploration and production industry is currently being contested in various courts.

Though it was being hoped that the Finance Minister would jump the gun and extend it, he has refrained saying the matter is sub-judice. Pending the courts' verdicts, tax officers will have the leeway to issue notices for non-payment of taxes worth hundreds of crores to refineries.

"While incumbents would have much liked to know the intent of the government rather than face years of litigation, new entrants would specially rethink before putting in bids," says Deepak Mahurkar, associate director for the sector at consultancy PwC.

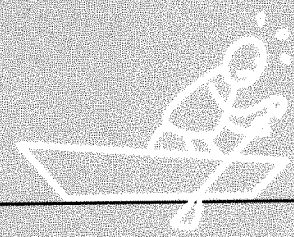
Still, it is hard not to see Chidambaram, who aggravated corporate India with taxes such as the fringe benefit tax, is trying to project a softer side — as much in anticipation of the impending elections as responding to the need of the hour.

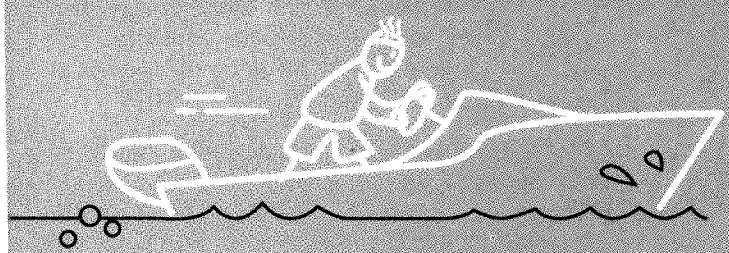
Says Ernst&Young's Singh, "Using band-aids, Chidambaram has obtained the blessings of the corporate sector."

Dream budgets, it would seem, have given way to budget dreams.

# The gap keeps widening

## IRS, NRS & ABC all confirm that

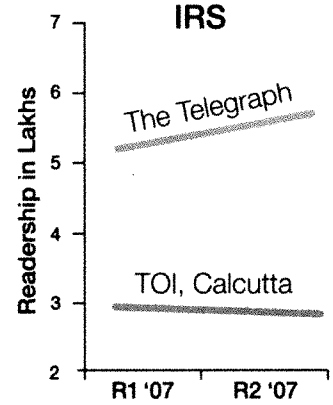


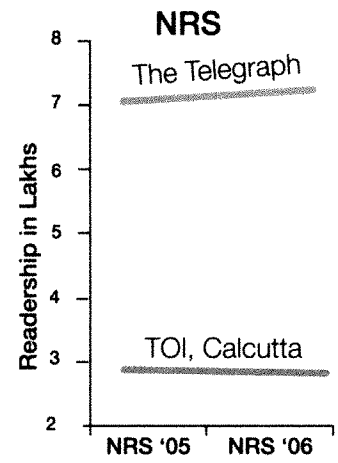


Be it circulation or readership.
The gap is increasing everyday.
Because figures can only confirm,
what people have to say.

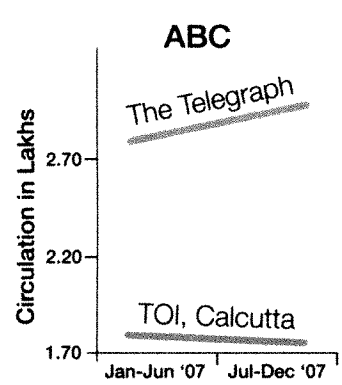
The Telegraph
*Unputdownable*

## Widening Gap in Readership




## Widening Gap in Circulation




*Figures for Calcutta only.*

3052.2008

AMIT VERMA

# Sanguine Expectations

**by Gauri Kamath**

## The future of the pharma sector seems bright

IN THIS FIFTH PART OF OUR SERIES ON POSSIBLE Bear Stearns — the US banking powerhouse that collapsed overnight — lurking in Indian industry, we look at the country's pharmaceutical sector. A slowdown might lead businesses to cut costs and individuals to think twice about buying homes, but it is unlikely to reduce the number of pills anyone pops. That, it appears, is the belief held by investors buying stocks of India's pharma companies. In the first quarter of 2008, the BSE Healthcare (HC) Index outperformed the Sensex, in stark contrast to the way it had behaved through the bull run (see 'Healthy Competition' on page 57).

Between January and March this year, while the Sensex lost 20 per cent of its value, the BSE HC fell a relatively modest 13 per cent. Some stocks, in fact, gained in value. Compare this with the period between 2005 and 2007 — when the Sensex more than doubled, the BSE HC, which went up by a little over 40 per cent, was a relative underperformer.

In a recent report titled 'Holding the Fort', analysts at Mumbai brokerage Enam Securities attempt to explain this resurgence. "The pharmaceutical sector has outperformed the markets in the past three months, given its relative insulation from global concerns of a slowdown," says the April report. They argue that the sector offers a good defence against "the precarious situation in the market". "Pharma appears to be a safe bet," says Ranjit Kapadia, pharma analyst at brokerage Prabhudas Lilladher.

### Climbing Down

Pharma stocks appear more reasonably priced today than they did a few years ago when they were stockmarket darlings. According to Enam's research, in April 2004 the Sensex was trading at a one-year forward rolling price-to-earnings (PE) ratio of 13, while Enam's universe of pharma stocks was trading at almost twice as much. The industry's love affair with the stockmarket began cooling down sometime after mid-2004. Foreign brokerage CLSA de-rated the sector and downgraded estimates for blue-chip stocksm such as Ranbaxy Laboratories and Dr. Reddy's, citing rapid commoditisation of the US generics market, the world's largest. "The ability of generic companies to sustain growth momentum, in both revenues and profit, is at a rising risk," the July 2004 report had said. In addition to stiff competition, it pointed to defensive tactics of innovator companies like authorised generic launches, and the imminent entry of several more Indian companies into the US market as reasons for its call. (See 'Is the Pharma Dream Run Over', *BW*, 1 November 2004.)

These concerns have been borne out. In addition, rising R&D spends have weighed down the bottom line further. This partly explains the subsequent underperformance of the sector when the Sensex took off. Kapadia provides an additional reason. During good times, he says, investors have more attractive sectors to put their money into. "Pharmaceuticals is probably the most heavily regulated industry and people may steer clear if there are options," he says. Enam's research also shows that, historically, the pharma sector underperforms the market in bullish times, remains neutral during uncertainty, and outperforms in downturns.

## Still Expensive?

While pharma stocks have come off their earlier highs, it is pertinent to point out that some Indian pharma stocks still trade at a premium to some of the world's largest pharmaceutical companies (see 'Recipes For Value'). "Indian pharma stocks are pretty expensive when compared to large or mid-size companies whether in the US, Japan or Europe," says Tarun Shah, India head of Wall-Street boutique research and advisory services firm Mehta Partners. One reason for this could be that generics is still a large market opportunity. The global generics market may add revenues of $50 billion between now and 2011 to touch $155 billion. With less than 10 per cent of that currently with Indian firms, the market opportunity is huge.

Also, says Mehta Partners's pharma analyst Nimesh Mehta, "Indian companies are probably the only group of global generics players with a strong presence in the emerging markets of Brazil, Russia and, of course, India, which are growing strongly". This has helped them partially make up for a dip in fortunes following structural changes in the US and other markets.

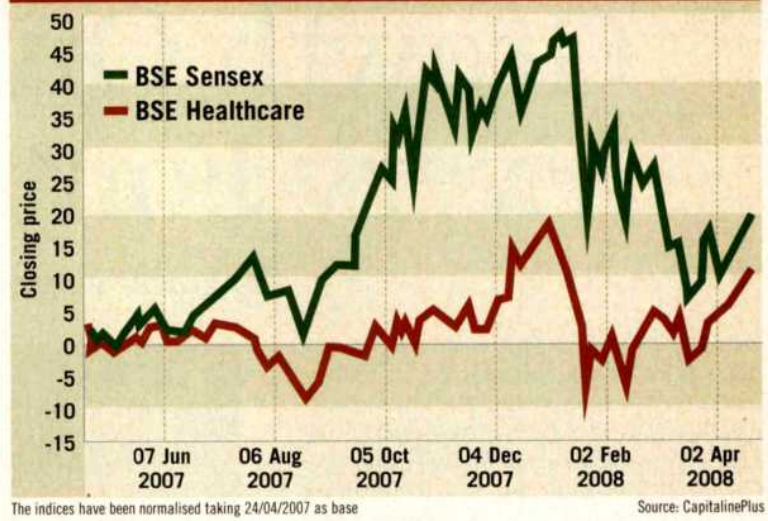
For instance, Israel's Teva, the world's largest generics drug maker, still does not has a marketing footprint in India, which has been growing at nearly 15 per cent every year for the past three years. Besides, at least three Indian companies — Ranbaxy, Sun Pharmaceuticals and Nicholas Piramal — have moved to separate their capital-intensive R&D business from the core generics company. Sun's revenue growth and profitability have also held their own against the vagaries of the generics business far better than Ranbaxy or Dr. Reddy's making it the largest drug maker by market cap.

A few pharmaceutical companies, such as Ahmedabad's Dishman Pharmaceuticals, Hyderabad's Divi's Laboratories and Mumbai's Piramal Healthcare, are also riding the wave of expectations about India's pharma outsourcing story. They offer contract research and manufacturing services (CRAMs) to western drug companies, and optimism about the future potential of this sector is high.

The performance of individual stocks focused on the generics industry will continue to differ depending on the extent to which they meet growth and profitability expectations, as also their resilience in the face of risks inherent to the sector. Brokerage Enam identifies some of these risks — pricing pressure in generics, and uncertainty about product approvals and launches. CRAMs stocks, too, are trading at PE ratios varying ranging from 12 to 21, suggesting differing investor outlooks on their ability to make the most of the opportunity.

### HEALTHY COMPETITION

The BSE Healthcare index has fallen far less than the Sensex.




The indices have been normalised taking 24/04/2007 as base

Source: CapitalinePlus

### RECIPES FOR VALUE

Indian firms trade at a premium.

| | P/E multiple (x) Trailing 12 months | 1-year forward |
|---|---|---|
| **INDIAN PHARMA COMPANIES** | | |
| Sector P/E | 20.6 | 16.4 |
| Ranbaxy | 22.5 | 22.3 |
| Dr. Reddy's Labs | 30.2 | 14.3 |
| Sun Pharma | 27.1 | 21.0 |
| Piramal Healthcare | 19.8 | 16.6 |
| Jubilant Organosys | 12.9 | 15.6 |
| Dishman Pharmaceuticals | 20.9 | 16.1 |
| **US PHARMA COMPANIES** | | |
| Sector P/E | 18.0 | 19.5 |
| Pfizer | 9.30 | 8.40 |
| GlaxoSmithkline | 23.3 | 23.2 |
| Teva | 19.9 | 17.3 |
| Watson | 22.5 | 15.1 |

Source: Sharekhan; Bloomberg

In the short term, what could dampen things for the sector? Regulation, says Kapadia. Media reports suggest that in a bid to control prices, the industry might be subjected to more stringent controls in a proposed pricing policy, reportedly to be decided by 30 April. "If that happens, then valuations will come down dramatically," he says. Among large-cap companies, stocks of the Indian subsidiaries of multinational firms, such as GlaxoSmithKline and Pfizer, are more likely to be impacted than home-grown drug companies, such as Ranbaxy and Dr. Reddy's. The overall sentiment regarding the pharma sector will be hit, nonetheless.

With inputs from Abhishek Chowdhury

*gauri.kamath@abp.in*

# Growth On Every Font

**by gurbir singh**

WILL HE? WON'T HE? THIS IS THE DISCUSSION that has kept the media industry on tenterhooks for over two weeks. The hot topic is: whether *Times of India* Executive Editor Jaideep Bose, after successfully putting *The Economic Times* in orbit and demolishing ToI's competitors in Delhi and Mumbai, will move to Network18 to launch a slew of newspapers. Times insiders say the Sermon on the Mount — his 'I have quit' announcement at a retreat of Times editors at salubrious Nainital — has been delivered, but teary-eyed ToI reporters are still hoping the last ball on the subject is yet to be bowled.

**The shortage of journalists has pushed up wages as never before, surpassing the offers of the dotcom boom**

Suddenly, launching channels has become passé. It's all about print media sizzling. In the past few months, the newspaper industry is in an orgy of growth. The UK *Financial Times* has broken its alliance with *Business Standard* and is in the process of launching with Network18. *The Economic Times*, a constant poacher for talent, has got a taste of its own medicine. Network18 has made no bones about its plans to launch in every segment of the print industry, including possibly a general daily newspaper. The Times group has broken a decade-long jinx and taken on *The Hindu* in Chennai.

And it's not only about the big chains. Regional satraps such as *Deccan Chronicle* have launched two editions of a new business daily called *Financial Chronicle*, and the rather staid Sakal group of Pune has put its money where its mouth is by actually beginning a recruitment drive for a national daily tentatively called *Sakal Times*.

In the media job market, the run from print to television is over for journalists. The news channels, except the regional ones that are still recruiting, are saturated; and now salaries are balancing out with print. What has ballooned overnight is editors dredging cities for print hands. Estimates on the demand differ, but with three business dailies on the launch pad and two big general newspapers in the pipeline, nearly 1,000 new jobs have spawned in recent weeks. The shortage of journalists and tech hands has pushed up wages as never before, surpassing the offers of the dotcom boom seven years ago. Even *The Hindu*, which so far paid only Wage Board salaries, has raised the bar by 50 to 100 per cent in an attempt to retain its flock.

There is reason for the excitement in print. The latest Indian Readership Survey (2008-R1) shows the Indian print media bucking the international trend and recording real growth. All big English dailies have recorded growth in readership — *Times of India* from 13.5 million to 13.6 million readers six months ago, *Hindustan Times* from 6.1 million to 6.3 million, and *The Hindu* from 5.3 million to 5.6 million. The top Hindi dailies grew even faster from R2 in September 2007 — *Dainik Jagran* by almost 4 per cent to 55.6 million readers and *Dainik Bhaskar* by 5 per cent to 31.9 million readers. These are not big growth numbers but, considering that newspapers are losing out everywhere else, the Indian print market is still an attractive proposition. In the US, last year the combined daily newspaper weekday circulation dropped 2.4 per cent and on weekends by 3.6 per cent. For 2007, *The New York Times* dropped 4.5 per cent and the only big daily that recorded a marginal increase was *USA Today*. In terms of revenue, too, the latest PricewaterhouseCoopers survey on the entertainment and media industry reports that the print media industry size grew 16 per cent in 2007 to Rs 14,900 crore and, more importantly, sustained an average 15 per cent growth over the past four years. The growth trajectory can be expected to climb in the near future as the conservative Indian, family-run print houses have only just begun to exercise the option of divesting equity up to the legally permissible 26 per cent to foreign print partners. *The Hindu* has closed a deal with Fairfax of Australia, and the latest speculation on the streets is about Rupert Murdoch (through Star) exploring a launch in Indian print with industrialist Vijay Mallya.

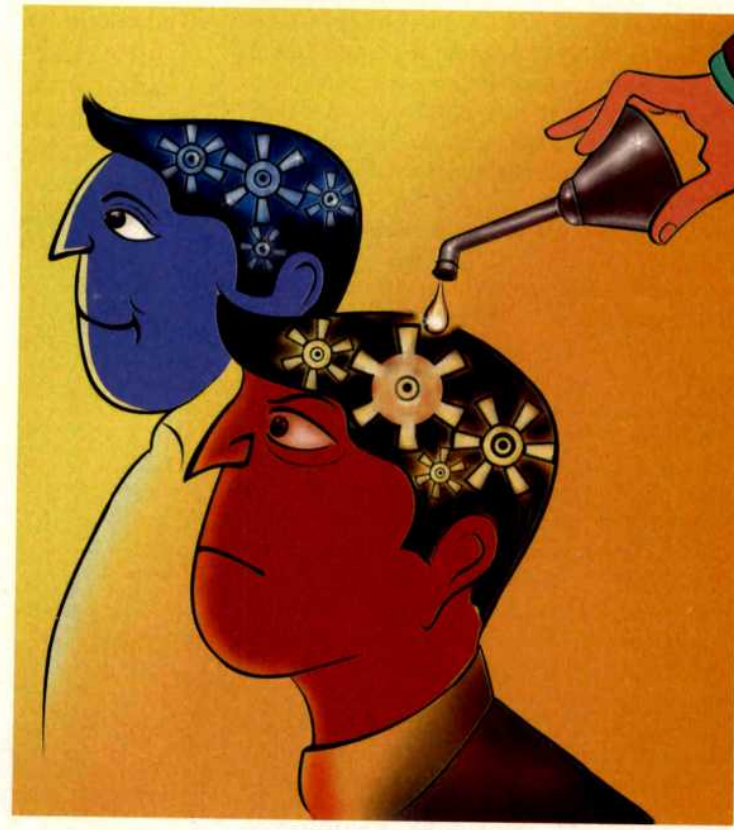
Coming back to the print industry facing a shortage of professionals, it is odd that such an established industry has virtually no institutionalised forms of creating a pipeline of professional writers, designers and other technical personnel. Besides the Asian School in Chennai, and a few degree courses offered by some universities, there is negligible formal training for journos; most have learnt on the job. This scenario has created a frightening poverty of professional standards, more so among television journalists. The big media groups owe it to themselves and to society to plough back some of their profits to create institutions and bodies that will generate a steady pipeline of trained professionals.

*gurbir.singh@abp.in*

# Processifying People

**Leadership is solving problems. The day soldiers stop bringing you their problems is the day you have stopped leading them.**
***— Colin Powell***

**by meera seth**



ILLUSTRATIONS: ANTHONY LAWRENCE

NIK DOGRA WAS PENSIVE. JUST AN HOUR AGO, THE Q-team which supported customer Xyaxil had ground its heels and refused to work any harder. Yes, the call volumes had been increasing week after week, but striking work was not a solution.

Zaxo India, where Nik was the VP operations, had been on a bumpy ride thanks to Xyaxil's new MP3 device. It made a great gift for the new year, but users found certain kinds of MPEG-4 files would not play, although Xy (pronounced Zai) presented itself as a MPEG-4 player. Calls were incessant, the number of calls per an average shift had now doubled, beating volume forecasts and straining the business average.

Nik thought the sudden jump in volumes was a brief aberration. But when they had missed out on Christmas and New Year too, the boys from the Q-team went ballistic — they pushed their keyboards aside, wrenched out their headphones, pushed their chairs back and said, "Like heck!" They stopped work.

Nik was now parked in Zaxo's recreation room, along with his HR manager Subbu Senthil and head of HR Atul Abreo, studying the options available. The average handle time (AHT) had gone up by 30 per cent from 68 calls to 88 per eight-hour shift — five and a half minutes per call. The only option was to increase the team by 30 per cent. That meant fast training and creation of added infrastructure. Said Abreo, "This is absurd and should not even be considered. There is no way other than abandoning the 30 per cent extra calls, which translates into a loss of business."

Nik groaned. He said, "Not finding a third way will be even more absurd, Atul. I cannot afford to let go of the extra calls..."

But Abreo was not even sure if they could stretch their current teams to contribute 30 per cent more for three months. "Will they be able to take the pressure? Or will they just throw up their hands after the first three weeks and then not report to work either having fallen sick or found new jobs that give them free time?"

Subbu Senthil gasped aloud. He didn't like this. Recently when another team had struck work fearing they weren't being paid well, Subbu had deferred his verdict and opinion since he believed the IT industry was special. Now, after the Q-team yanked off their headphones and cried 'heck', Subbu changed his mind. And he was annoyed not with the team who cried halt, but with Abreo and Nik who he thought were behaving like young inexperienced mothers faced with a tantrum-throwing child in a Lego shop.

Standing before Abreo and Nik, arms akimbo, he said, "Why are we deifying them? Are we saying the environment has changed? People have changed? Businesses have changed? What is it? And what has brought about this change? Therefore, are we handling

the situation without the right solution?"

Abreo was humming a song he had heard on 'K for Kishore' the previous night. Nodding to Nik's prodding, he said, "Yes, I say, today, many things have changed. Today, you are allowed to watch TV during exams, allowed to drink Coke, allowed to interrupt elders in a conversation, allowed to have a say in the clothes you wear; when we were young, we were not allowed to date or be seen talking mirthfully to girls; we could not have a job at 19... or pay designer prices for torn jeans. Or even wear jeans. We were told study first, no need for money. So, the whole air allows new attitudes. And Subbu mind you, you were 26 only eight years ago!"

Subbu was piqued; he said, "*Arre*! How has this '*allowed*' changed the work environment? How has it changed our perception of performance or of efficiency or productivity or respectfulness or of cause and effect? And has it changed so everywhere? Or are we saying it has changed among IT companies only? Mind you at Green Leaf, we also have 22-year-olds who work, and I have not known them to pout at the drop of a hat!"

Atul, who was hearing the second stanza in his head, said, "More than that, my friend, ask why has this changed? What has brought about this change and is it justified? Or do we not look for justification and just look at coping? After all, that is what you are suggesting, no?"

Subbu shook his head vigorously and said, "On the contrary, you are the one who is simply coping with these tantrums. Every two months, we are having dramas out here! Even now, Nik would order doughnuts if he could to pacify them." Then discarding the annoyance, he said, "Or is it that we suspect things are changing because today we have more younger people in the workplace? And these young people are more vocal, more expressive, more aggressive? And we don't have a reciprocal script ready?"

Nik spoke now, "Let me explain. It is not just about the young, but also about the business environment, which is putting a lot of pressure. Today, business cycles are getting shorter, so, growth and de-growth in teams and skill development have to happen faster, *and* business must perform too! In a bid to meet this challenge, companies have begun to develop highly refined tools and processes. Some companies have even made a business out of making intermediates in order to cut the chase, converting people tasks into fool-proof modules and programmes in a bid to de-risk themselves from the lack of/migration of/loss of talent.

"Why, the IT business itself has allowed for commoditising software codes so that non-programmers can develop software. That is about getting on with development and progress without pondering on the fundamentals. You may have heard about Mash Up, a new-age software tailor, which is used to stitch up a variety of software to produce a new process garment. A bit like your T-series remixes! See how much start-up time, reinvent-the-wheel-time is being saved! In the traditional direct human effort method, there would've been a team of hapless software boys rewriting basic software. It is like growing a tree every time you want a mango.

**"Today, you are allowed to watch TV during exams, allowed to drink Coke, allowed to interrupt elders in a conversation, allowed to have a say in the clothes you wear"**

"Product software companies are galloping onwards in the face of competition; what can be done but reduce the elapse time between thought and execution, isn't it? And one way to do this is replacing people with processes, or thought with pieces of codes. As a result, companies have begun to see people as 'less important' and therefore have failed to see what is happening to their thinking."

Abreo agreed, "People tasks are getting process driven, rather than people driven. Therefore, the more uncertain a batch of employees is in terms of predictability, the more you need to cement your processes and harden them." Subbu was surprised, "Are you not dehumanising the productive effort and workplace?"

Abreo replied, "No! This is the old specialisation and mechanisation principle revisited except with the use of processes. If the process is hardened, there will be less failure from the subjective knowledge being used. And this is the state of and the genesis behind outsourcing, where it is apparent that some tasks are eminently 'processifiable', if I can use such a word, without loss of significant human touch...therefore, with the rest of the environment getting intensely competitive, it makes sense for us to cut the noise caused by situations that are better off standardised. So I am conscious that employees can produce unpredictable outcomes to situations needing specified outcomes."

Subbu didn't agree, "In that case, the more uncertain the behaviour of a batch of employees is, the harder we need to look at the reasons for their behaviour, examine where we are hastening at a mad pace uncaring about the neglect of people development!" Nik shook his head, "No Subbu, no. The challenge for HR and Operations today is to balance tools plus process management with people management. In my humble opinion, those days of textbook, pristine people management are gone. Today it is composite management..."

Subbu felt converting people functions into processes was implying that the HR function was redundant. "And my humble opinion tells me this whole thinking is plain nuts. Right now and here what we have is not a people or team or

person crisis. The diagnosis is very clearly pointing to a systemic chaos.

"Hang on, please allow me to talk. This Xyaxil chaos was not caused by people or by the Q-team. It is a function of a business that has gone off the rails for the simple reason that Xy uses MPEG-4, activates or invokes certain parts of MPEG only, the consumer has no means to figure that that is what is at the heart of why their video files are coming unstuck...Xyaxil has not sat across the table and discussed this with our engineers, not expressed the doubt that some small video model can give grief, has not built a back-up, has not developed the insight to offer a quick solution, despite the fact that Xyaxil deals with MP3s, audios, youth, music downloads that are invariably with video clips...

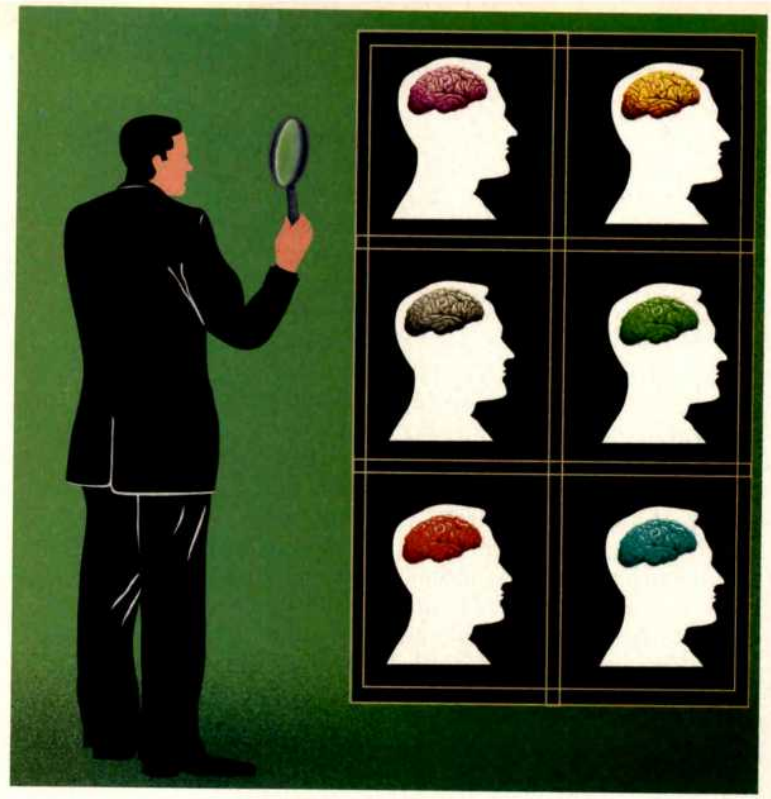
"What does that mean? That Zaxo is no different from the by-lane kirana store who is handed 10 cases of noodles and told '*do minute mein ban jaayegaa — becho*!' but the consumer comes back yelling that the noodles get mushy, gooey...and the kirana man says what can I do, you write a complaint please!

"So, we are reduced to that kirana store man who is just an agent or medium for sales. But aren't we more? Shouldn't we be getting much more insights from Xyaxil? Did we get them? These are my questions!"

Nik was not sure, he said, "But then Xyaxil is telling us what we need to know to deliver support for them..." Subbu jumped at that, "Are they? Are they? I think not. If our role is to deliver service to consumers, a standard number of consumers per hour, etc, how come our boys who are young, smart, have almost morphed around their iPods and mobile phones, so that they know these products like their body parts, how come our boys are foxed by technology which is the first word they spoke on the birthing table?

"You say I have a *chai* company mentality. I have stared at a tea leaf with a stop watch to get the brew right. That is *also* a process. But our processes here have not factored in the truth that no matter how much you mechanise, build processes, without human interface nothing is going to be 100 per cent, especially so when it is customer or product support. It seems to me Xyaxil's haste to hit the season may have something to do with the fact that their instruction manual does not specify anything about the part-level compatibility of Xy..." Subbu's aggression was disturbing. Abreo argued, "But then as support agents, we are not supposed to know every troubleshooting solution, Subbu..."

"I agree," said Subbu, "but this is exactly my argument against yours that processes are meant to de-risk my environment and lower my



**"The more I make everything process driven, while I am making my environment risk-free, my customer service or product service is becoming incapable of receiving new thinking..."**

people dependence. See what is happening! All Xyaxil needed to do was train our level-3 agents with a piece of code which they could send consumers by email and it would set the incompatibility right..." Nik interrupted that, "Processes are meant to de-risk the business. They take the thinking out from the doing. The level-3 agent doesn't need to understand the piece of code. He only needs to know that when problem X occurs, provide answer Y. Everything comes out of a pre-written knowledge base that agents refer to while solving problems for customers.

"You know, the agent's work is very process defined: Acquire product model from customer, acquire product code to see if it is within the warranty, listen to the customer, as the customer speaks figure out the nature of the problem, look up the knowledge base for answers, after identifying the problem, hand hold the customer through the solution using screen shots of the problem and solve steps that come out of the knowledge base."

Subbu was raging, "So, the more I make everything process driven, while I am making my environment risk-free, my customer service or product service — as Zaxo — is becoming antiseptic, and incapable of receiving new thinking... worse, I wonder if Zaxo itself is becoming clinical!"

Abreo repeated himself, "Remember, hardened processes are meant to remove 'thinking', 'understanding' and 'feeling' things for your workforce. New thinking comes only when a process is breached or bottom lines affected. I don't see that having happened." Subbu now

took them on a surprise route, "And new thinking *does not* come when an employee repeatedly does not report for work and your process culture is geared towards ensuring 'minimial loss of work', not 'the best possible health care for the employee'."

Then seeing the surprised faces, Subbu went on, "Think. The agent does not see the call volume dashboard, so he has no idea how much the volume is growing, what backlog is building up, nothing. Yet he has to work...this causes stress, anger, emotion...he does not know how to deal with the situation until he meets his supervisor at the end of the shift. Does anyone take into account the fact that there was or were many moments of growing anxiety among these young men and women? Does anyone, or does the shift supervisor ask at the end of the shift: were you anxious during the shift, did anything bother you?"

Abreo gagged, "What world are you living in Subbu? At Green Leaf, did anyone ask you that? No organisation asks questions like that!"

"No?" said Subbu. "Your boys are stressing out over imagined doubts. This is also a function of the productivity rates that are tightly factored in so that an eight-hour shift must result in 68 calls per agent...so no time to air doubts. Like they worried about being paid less; like they worry about why they are being asked to work late; unless each time it plays out and turns into a drama, they have no means of expression. So what I am seeing is this: *it has to be dramatised for them to get relief.*

"Sushant had a stomach ache four times in two weeks and each time he was sent to the medical bay...our doctors run the scanner over him, BP, pulse, etc, pop him a pink tablet and he is told, 'Go back to work in 30 minutes'. But is Sushant fit? I asked myself why is Sushant getting stomach aches so often?

"Whereas, if Sushant was to be allowed to go home and see his doc and bring back the medical report, many opportunities would present themselves. Sushant has a talk with his doc, he tells him I am feeling boxed in that room with ACs on all the time, I feel claustrophobic, I don't like the smell of the lavendar spray they douse the AC vents with...my colleague chews *paan*... I don't see Sushant telling the medical bay doc that some days he hates his work, because I see even the doc in the bay has a productivity clock ticking in his face!

"So where is your process allowing for new thinking on people management? I agree about process capsules for business management, and through this method you have managed the threat of missing a skill-set for a shift; but the business is not thinking 'employee health', it is thinking 'business health'."

**"These 25-26-year-olds have become little chips which we plug into the system like a patch on a macro; our trying to 'understand' them, trying to talk to them and make them see reason and stuff is superficial"**

A tired Abreo shot back, "A slightly overstated point, no Subbu? Businesses will create processes for business health, no?" A more tired Subbu replied, "Ah, yes, but this has a related risk too...the employee begins to doubt if the organisation will allow the system to deliver him health; if you extend physical health to career health and all-round well being, I think I understand why the X and the Q-team struck work. The employee does not trust Zaxo to see his point of view!"

Nik was thoughtful, as Subbu went on, "Go back to the Xyaxil situation where there was a major increase in call volume; when we got employees to work seven days a week for 30 days...what were we doing? Delivering organisation health or what? And in the midst of a real crisis, where 60 boys sit in air-conditioned rooms for 14 hours a day, drinking coke and escaping to the smoke-zone to take some puffs to get their adrenalin running...were we delivering health? Therefore, the entire system seems to be engineered towards optimising the shrinking business cycles — using people!"

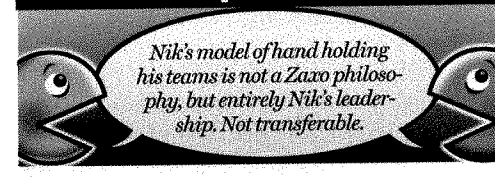
Nik nodded, "I agree with your insight Subbu, this is the reason why I feel we need to go that extra mile and listen to them when they speak." Subbu resisted that, "Sorry Nik, I might come across as a mule, but I get the feeling that these 25-26-year-olds have become little chips which we plug into the system like a patch on a macro; our trying to 'understand' them, trying to talk to them and make them see reason and stuff is superficial."

Abreo resisted that, "Maybe superficial... Businesses don't have the time any more to deal with all this, so these things go into the realm of the 'superficial'. The point is that 'superficial' itself has now acquired a new meaning. It stands for all those acts and thoughts which are not germane to the business process. Which certainly does not mean we are dehumanising the process; but the young men and women who will work here today are going to be a crucial part of the growth process tomorrow and they need to be able to tell chaff from grain.

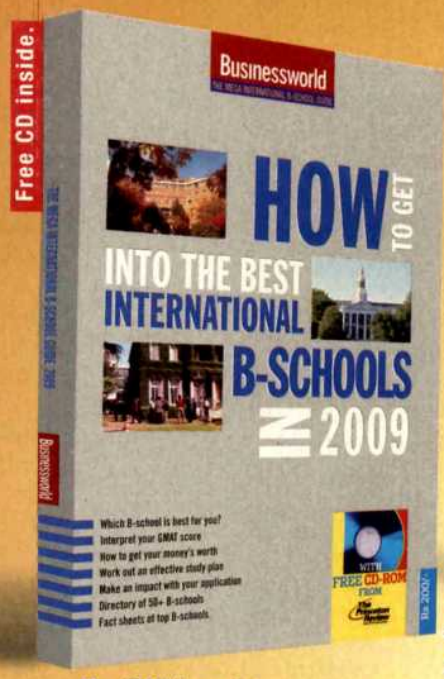
I see it all as training. Technological shifts in evolution require tough humans. Period."

*casestudymeera@gmail.com*

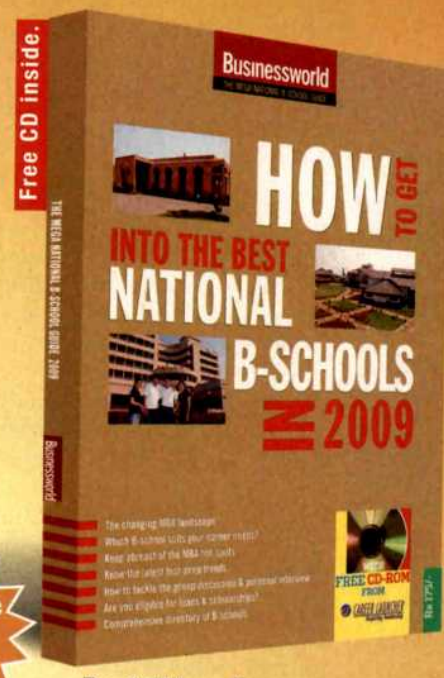
**Classroom/syndicate discussion**



# How to choose the right MBA.




Rs. 200/- only




Rs. 175/- only

On sale now.

## Businessworld presents comprehensive B-school guides for MBA in 2009.

Two excellent guides for all those aspiring to get into the best B-schools in India and abroad. These step-by-step guides contain all the useful update, required to get into the best MBA program.

All new, updated contents: Best B-school campuses • How to crack CAT, GMAT and other important entrance tests • Financing the MBA • Personality development and more • BW ranking on the top 50 B-schools in India and abroad • Alumni reports • The best coaching institutes • Application for foreign B-schools • Visa counselling and much more

**Businessworld**

**o buy your copy fill this form and mail it to us:**

ame: Mr/Ms ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Address: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

ty: ☐☐☐☐☐☐☐☐☐☐ State: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Pin: ☐☐☐☐☐☐☐☐ Tel.: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

obile: ☐☐☐☐☐☐☐☐☐☐☐☐ E-mail: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Date of Birth: ☐☐☐☐☐☐☐☐☐☐ Education: ☐☐☐☐☐☐

]☐☐☐☐☐ Occupation: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Company Name: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

esignation: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Please tick the desired option: ☐ 1 copy for Rs. 200/- ☐ 1 copy for Rs. 175/-

eque No./D.D. No. **(In favour of ABP Pvt. Ltd.):** _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my

edit card. VISA ☐ MasterCard ☐ Card No. ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

ird member's name: _____ Card expiry date: ☐☐☐☐☐☐☐☐ Signature: _____ Date: _____

his coupon along with Cheque/D.D. for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, mail: businessworldsubscriptions@abpmail.com

ntact: Delhi: Sangeeta Biswas, Tel.: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel.: 022-24962587; Kolkata: Sandip Biswas, Tel.: 033-226 00745; Bangalore: Partha Bhadra, Tel.: 080-2558 8127; ennai: L. Pradeep Raj, Tel.: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel.: 040-2331 7147.

**rms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. All disputes are subject to the exclusive jurisdiction of competent courts and forums Delhi/New Delhi only.

**r trade enquiry please contact UBSPD branches at:**

w Delhi- (011) 23273601-04, 23266646; Bhopal- (0755) 5203183, 5203193, 2555228; Mumbai- (022) 24962601-09; Bangalore- (080) 22253903, 22263901, 22263902; Chennai- (044) 23746222, 23746351-2; akulam- (0484) 2353901, 2363905; Kolkata- (033) 22521821, 22522910, 22529473; Patna- (0612) 2672856, 2673973, 2686170; Lucknow- (0522) 2294134; Pune- (020)- 4028920; Hyderabad- (040) 23262573-74.

# Learning To Let Go

**It takes nerve and fortitude to let go of gains but great leaders don't always shy away**

WHEN THEY SAY THAT BUSINESS IS A BATTLEFIELD, you can take that almost literally. Landmines and napalm are not used, but the heat, tension, wounds and victims of business combat are just as apparent. All you lily-livered civilians stand aside. Take to gardening or something equally bucolic. Leave business to the grown-up boys. Do I sound like a merciless business czar wanting to build an empire on the back of your delicate backbone? Battle is a good analogy to use to inspire your team, but a poor route to take when it comes to treating your team. To treat your team like soldiers is a grave error.

You can toughen an army for war. You can train it to withstand stress and extreme outcomes like death. But when conditions deteriorate and soldiers have to endure endless hours of vigil with no end in sight, even they give up. They want to quit the battlefront — give up the be-all and end-all of their lives.

If soldiers with their rigid training and sense of patriotism can be pushed over the edge, do people on factory shop floors, testing labs, business back offices and service front desks stand a chance? No one is impervious to pressure. The question is how do you gauge the breaking point of your team and how do you manage it so that its members deliver beyond their breaking point? How can you, as a manager, make yourself sensitive to the limits of your team and the limits of what motivation can make them do?

A good manager addresses both — building, maintaining and growing business as well as doing likewise with her people. She has to treat business like war. But not turn her people into weapons of war — guns, tanks, jet fighters that can go on (seemingly) endlessly.

I'll go back to Nik who is in the thick of battle: saving a business and retaining his people who are under severe stress. If Nik's team does not deliver, there is an unacceptable impact on business and if the business target is fulfilled, there is a devastating consequence on people. He groans to his colleague, "Not finding a third way will be even more absurd, Atul. I cannot afford to let go of the 30 per cent extra calls..." That's a lie.

You can let go of anything. That's the real answer to real life conflicts which seemingly refuse resolution: let go. But Nik is a corporate *kshatri*. What can he do but fight?

Since he cannot hire, train and deploy large teams in short cycles, or adjust the size of his infrastructure, he makes them work harder. He falls victim to expediency and short-term gains. The entire phalanx of generals at Zaxo feigns ignorance of concepts like "work-life balance".

But we are thinking of managers as being two-dimensional. Managers have to think of themselves as having several avatars of Vishnu, the sustainer; Narasimha, the solo warrior; Rama, the collaborator who fought battles with the help of Hanuman and Sugreev and saw himself as the first amongst equals; Krishna who was a mentor, coach and guide. Skilful managers know this: they have to evoke the right avatar for the right problem.

But most managers are not trained to carry a philosopher's compass, otherwise they would be asking themselves, "Should we use process to the point where humans are automated out of the system? Or is it okay to lose efficiency, live with increasing errors by letting humans behave like humans?" It's another matter that no manager worth his Scotch would be tolerated for nurturing radical ideas such as letting humans be humans! Funnily, we all know that the answer lies in between. But businesses are not built to take the impact of the middle answer — because "let go" is that middle answer.

On the other hand, Nik — like many managers — has not been able to clearly see the capability level of his team. I don't mean the capability to deliver a pre-defined task, but the capability to appreciate the need for short-term thinking. The team at Zaxo is made of GenXers, in their mid 20s, doing their first jobs, clueless about things like company vision. Do you really expect them to think like boardroom stalwarts? On the other hand, how long do you think you can make them work like war machines?

In such situations, I'd look up to the core values of the business for guidance. The core values of a company (should) provide us the responses we need for crunch situations that test our moral and ethical fiber. In that sense, core values provide us with a philosophical framework that makes complex decision making simple. By taking away the narrowness of a situation, core values can help time and again produce responses consistent with a broader principle set.

While this is a simple, logical model for conflict resolution, sometimes resulting in the directive "let go", it does take nerve and fortitude. How many of us can put our hands on our hearts and say we will not let courage come under fire?

*The author is the Chief Operating Officer of Microland. He can be contacted at SharadH@microland.com*

C. MAHALINGAM



# Refocus Your Lens

**Not helping clients find a permanent solution may lead to the business going away**

LOOKING AT THE ZAXO TEAM'S PROBLEMS, I AM reminded of Einstein's quote: "Insanity is doing the same thing again and again, but expecting different results!" Conversations throughout amongst Nik Dogra, Atul and Subbu have only enabled a philosophical comfort; hopefully, they would have reached a solution to their problems by now!

It is not unusual for product-support teams to come across situations similar to what Zaxo is going through. When that happens, it makes life even more difficult for already stress-filled teams at work. A quick study of Zaxo reveals the following problems:

- Spurt in customer calls as they struggle with a bug in the MPEG-4 player they bought from Xyaxil resulting in work overload, poor preparedness for managing this on the part of Zaxo and employee upheaval
- Lack of understanding of the root cause of the problem.
- Continued obsession with a belief that the problem lies with the attitude of the Gen-X agents.
- Unverified belief that if they 'processified' more, their problems would vanish.
- Unclear with how Level-1, Level-2 and Level-3 support levels operate and resolve customer problems and consequently not leveraging this big time.
- Capacity planning which is critical for product support BPOs to manage spikes in workload and absenteeism without warning.

Well, that is what seems to be going on on the face of it. But the real problem lies elsewhere: in the mindset.

Zaxo managers are not looking into the root cause of the problem and so a lasting solution will continue to evade them. The problem that Zaxo is going through is a complex one involving a product that needs a serious bug to be fixed, customers' frantic calls as a result, increase in workload and stress for the agents – abetted only by the fear of the unknown to address the root cause.

The magnitude of the problem was evident within a few days of the product launch. Customer problems revealed a pattern. The logical step for Zaxo was to talk to the product development team at Xyaxil and determine what the bug was and agree on an approach comprising a couple of things:

- A mass mailer from Xyaxil to the entire customer base acknowledging the problem and directing the customers to the self-service help desk on their website to look for typical problems and their fixes to be carried out.
- Quickly agreeing on a solution to the bug and incorporating it in the agent's guide manual to present to the customers calling in.
- Zaxo setting up a technology-driven and substantially time-saving Interactive Voice Recorder (IVR) that spells out the solution to common problems at the touch of a button and also offering the customer to connect with an agent for a chat if they wish to do so.

The Zaxo team would also benefit much from some reflection on how best they could have organised their product-support teams to deliver optimal support to customers while getting the best out of their agents.

Typically, Level 1 agents will handle the calls and respond quickly with the solution which can actually be done with half the time for normal calls since they now can anticipate the customer problem. Level 2 agents would quickly replicate the customer problem in their "replication machine" or "crash machine" — as it is known — kept on their desk and quickly offer the solution. Level 3 agents would leverage their product knowledge and programming skills to write a bug-fix and send it over to the customers. From the conversations of Nik, Atul and Subbu, we don't see a comfort with industry best practices on organising the product team as above.

Now, the real issue is fairly clear. As the problem became fairly clear with repeat complaints and calls, Zaxo's team could have sat with the product development team to help them appreciate the bug — perhaps a device driver not being loaded into the product or some such thing — and determine a permanent solution to be built into the product to be shipped henceforth and a solution for the existing customers in the form of a bug-fix.

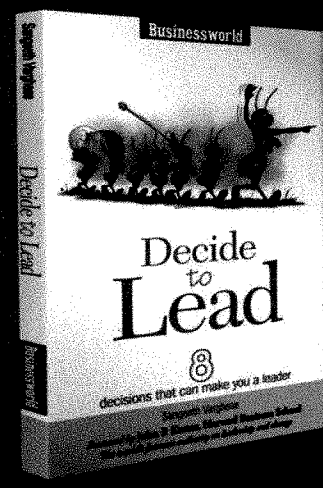
Clearly, companies like Zaxo need the confidence to state the solution upfront to their client without any anxiety over possible loss of business.

In the smart world in which we are living, not being upfront and helping clients find a permanent solution may actually lead to the business going away rather than through speaking up about it.

Nik, most clients want a partnership for progress and not a vendor-service provider relationship for a short term.

*The author is Executive Vice President & Chief People Officer of Symphony Services Corporation, Bangalore.*

# NINE DECISIONS CAN MAKE YOU A LEADER. THE FIRST ONE IS TO BUY THIS BOOK.




## By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order of "Businessworld Decide to Lead", fill this form & mail it to us:**

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ 5 copies for Rs. 1795/- (10% bulk discount)

Cheque No./DD No. **(In favour of ABP Pvt. Ltd.)**: _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

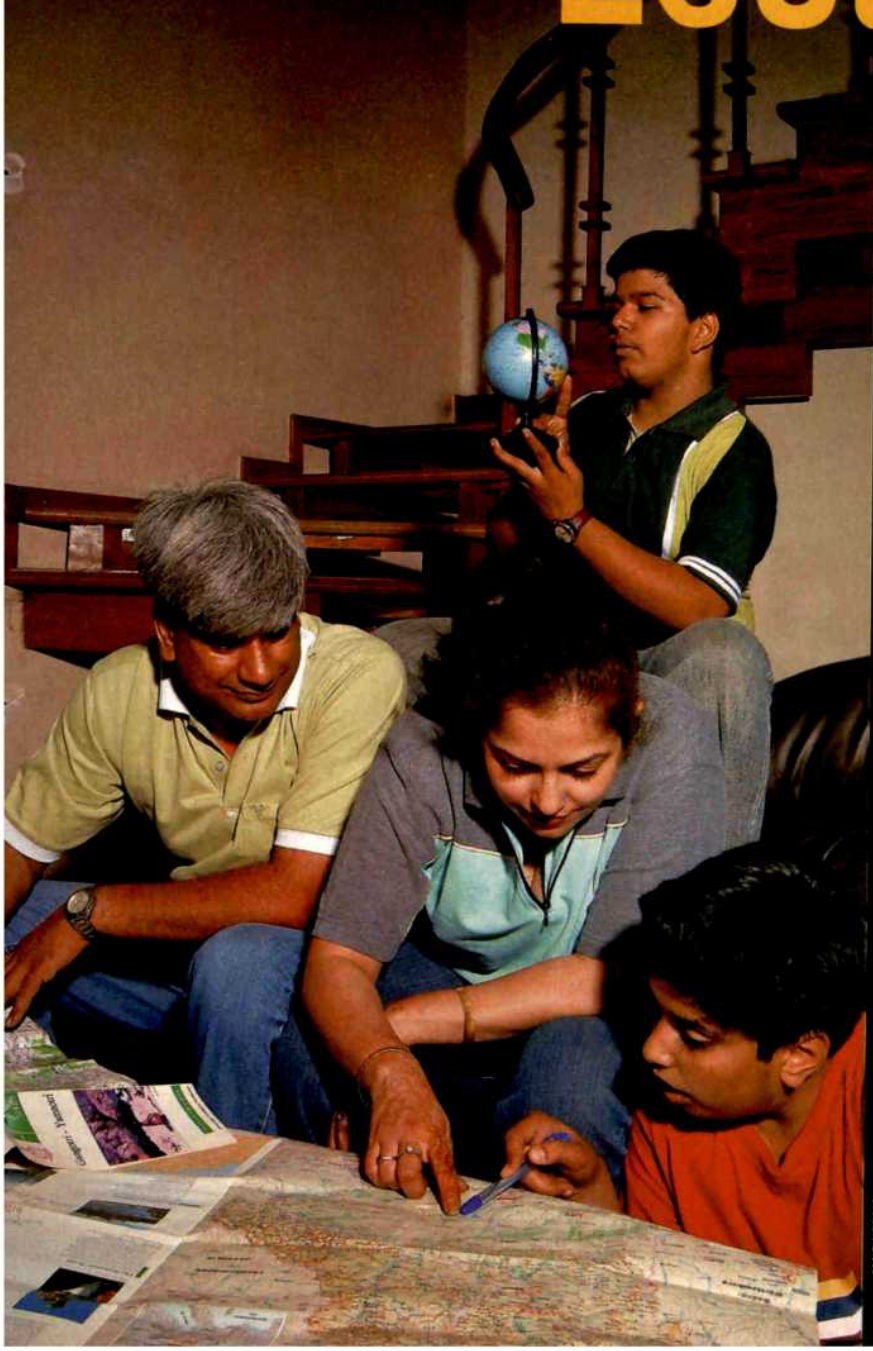
Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.

# Great Escapes



AMIT VERMA


**70 Metroscapes**
Travel to great cities of the world for art, history, and even nature's wonders.

**73 Some Place Else**
Get off the usual itinerary and visit some exotic locales for a different experience.

**75 Great Train Journeys**
Some train journeys are so special that they are destinations themselves.

**76 Slow Down**
There is nothing like walking or cycling through a place to know it intimately.

**77 Sea Safaris**
Get off the land and go looking for some of the biggest beasts on the planet.

**78 Without Visa**
Save on money by making a trip to beautiful places in India and Nepal.

**79 Click Convenience**
Travel portals help, but booking flights and hotels abroad is another thing.

GREAT CITIES

# Urban trails

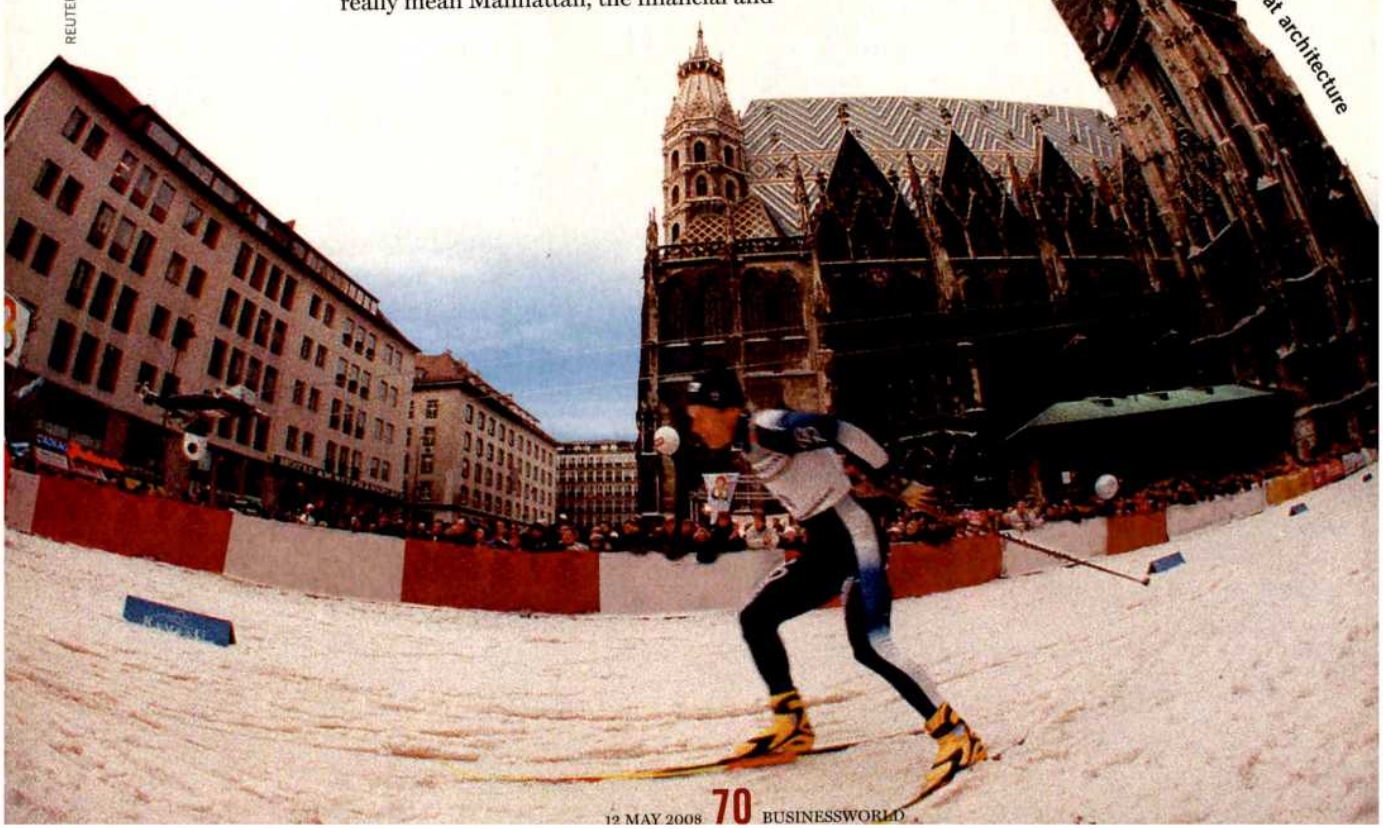
**Feel the cultural pulse of modern and ancient cities while rocking with the buzz of their daily life**

IF YOU HAVE A YEN FOR URBAN SAFARIS, THERE IS a whole world of big cities where you cannot go wrong with your holidays. Large as these cities are, you can spend days exploring their landmarks, art, food, even nature. Here is a sampling of the world's most engaging cities and some of their enchanting aspects.

## New York City

You may have been there and done that: strolling in Times Square, watching a Broadway show, taking a ferry to see the Statue of Liberty, popping in to see the brilliant works on display at the Metropolitan Museum of Art, and shopping on Fifth Avenue. But there is more to New York City than just that.

Easily one of the most familiar cities in the world — thanks to Hollywood and American TV exports — New York City (and by that we really mean Manhattan, the financial and



REUTERS

LIVING PAST: Vienna is known for its great architecture

REUTERS

cultural district) still has plenty of surprises up its sleeve. Take, for example, the Cloisters — America's only museum dedicated exclusively to medieval European art and architecture or the Top of the Rock, the marine-themed observatory atop the Art Deco skyscraper at 30 Rockefeller Plaza, which gives you the best view of the Hudson and East rivers among other NYC landmarks.

The best way to experience the city is to walk, walk and walk. Wandering through the areas of East Village, SoHo and TriBeCa can lead you to discover small, quaint and multi-ethnic eateries and artists' studios, which sell anything from handcrafted jewellery to garishly styled T-shirts.

## Cape Town

Cape Town, at the southern tip of Africa, is a sleepy witness to the thousands of ships that have turned around it to come to Asia from the West. And, the high point of Cape Town is its unique flat-topped Table Mountain.

This giant rock is visible from everywhere in Cape Town, which nestles at its foothill in a neat arc. Some days the mountain is covered with white clouds that drift in from the east and then seem to fall off the sheer cliff on the western side, giving them the look of a giant tablecloth. This dramatic effect is the result of the warm Indian Ocean on the southern side buoying up clouds to the top of the mountain where they are chilled by the icy air from the Atlantic Ocean on the western side that causes them to drop.

One of the must-dos in Cape Town is a drive from the bottom of Table Mountain to Cape of Good Hope, the south-western tip of the continent. It passes through Chapman's Peak drive, one of the most scenic drives in the world with the sea on one side and the steep crumbling mountain on the other. The locals suggest that you take a deep breath when you stand at the Cape because it has the freshest air in the world — the wind blows straight from the Antarctica and the Cape is the first land mass it encounters on its way north.

Cape Town is also Africa's wine country. Durbanville, on the outskirts of the city, is a good place to stay for wine seekers as it is close to some of the oldest wineries in the Cape such as the 17th-century Durbanville Hills Winery.

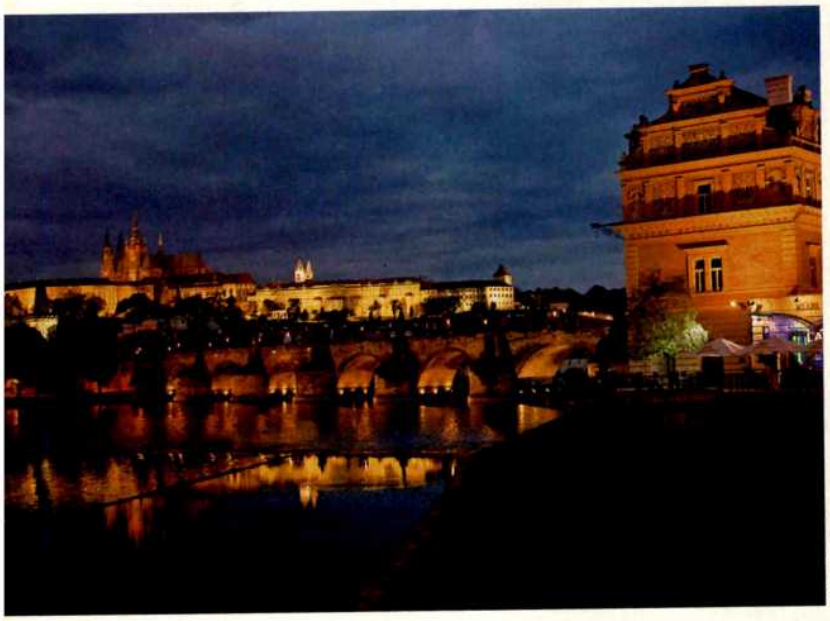
When in town and thirsting for a drink or pining for a prayer, hit Desmond Tutu's church. The bishop had a pub installed in the church to attract people to God.

## Vienna

Austrian capital Vienna is one of Europe's leading cultural centres and one of its prettiest cities. Its centuries old tradition of fine arts, opera, theatre, classical music and architecture makes it a must on a connoisseur's European itinerary.

Vienna flaunts its 1,500-year vintage every bit through its varied museums, including some quaint ones, such as the Funeral Museum. However, the must-see museums include the Kunsthistorisches Museum that displays paintings from the masters from the 16th-18th centuries, including Rembrandt and Pieter Brueghel, and the Leopold Museum that houses modern Austrian art, including the works of Egon Schiele and Gustav Klimt.

**MAXIMUM CITY:** The Mecca of modern culture, New York City has plenty of surprises up its sleeve



REUTERS

**HISTORY IN BRICKS:** The Prague castle shows a progression of architectural style

A drive through the inner city would expose you to architectural sights, including the Romanesque Ruprechtskirche, the Baroque Karlskirche and St. Stephen's Cathedral. The Karlsplatz Stadtbahn Station is a living example of Art Nouveau.

## Prague

If you like to explore a city on foot and study its history through its architecture, Prague, the Czech capital, is a good choice. Situated on the banks of the River Vltava, the city is home to eclectic architectural styles — the convoluted Gothic, the ornate Renaissance, and the functional Communist.

The medieval Prague castle on the edge of the city shows a progression of architectural styles, beginning with the Gothic and moving on to Renaissance. From the castle one can walk down to Charles Bridge, where one can treat oneself to traditional Czech beer and be entertained by street plays by troupes from all over Europe. Walk on through the old part of the city to see the Gothic Jewish ghetto, made famous by Kafka's surreal portrayal, and the Art Nouveau landmark, the Astronomical Clock. You can relax in the evening listening to classical music performed at the National Theatre and Museum, or lounge at the night clubs or the coffee shops that remain open till dawn.

## Hong Kong

From Triad smugglers to financial geniuses, Hong Kong has been a cultural melting pot with Anglo-Sino influences for over 150 years. There are plenty of nightclubs in the city, albeit much of the nightlife is concentrated in the Wan Chai and Central areas of the city. Lan Kwai Fong, a small square in the Central area, is home to many bars run by a motley crowd of immigrants — almost each bar owner is from a different part of the world and each has a story to tell about his journey into Hong Kong and building a life and business here.

For the restless, there are 262 islands around Hong Kong to visit and each island is less than half-an-hour ferry-ride away.

## Singapore

While the Sentosa Island, the Duck boat ride and Merlion are the main attractions in Singapore, the Jurong Bird Park is a highlight for bird enthusiasts. Spread over 20 hectares, this chirpy, colourful bird world houses 9,000 birds of 600 species. The best way to explore the park is to take a map and walk around in the midst of beautiful birds and lovely trees. There are large lakes inhabited by colonies of pelicans, swans and geese, and a bay exclusively for penguins. There is also the aviary where visitors are allowed into the cages of the birds. The park is a great place to unwind amidst the hustle-bustle of Singapore.

## Dubai

While shopping for gold and luxe brands may be the piece de résistance of this Middle-Eastern emirate, there is a lot of fun to be had outside its air-conditioned malls.

As the sun begins to dip and the day's heat gives way to a balmy coolness, drive off to the giant sand dunes 45 km away from Dubai on Hatta road. If you can ride a board, take it along for a rush of sandboarding.

Dubai dune safari is scary to start with as the SUVs move up and down the giant dunes at steep angles, but soon you feel assured and itch for more dangerous manoeuvres. The most thrilling part is driving along the thin, slipping ridges connecting the dunes.

After the spine-tingling rush of dune-bashing, you can round off your evening by treating yourself to a feast of belly-dancing and Bedouin dinner under the desert sky.

Though this list is by no means exhaustive, you cannot go wrong with your summer break in these cities.

*Contributed by Summati Nagrath, Dinesh Narayanan, Rajeev Dubey, Vishal Krishna, Janhavi Abhyankar and Feroz Ahmed*

# Road less travelled

**Been there, done that? Try these offbeat cities to spice up your itinerary**

IF POPULAR TOURIST OUTPOSTS ARE PASSÉ FOR you, here are some interesting places around the world you might try out.

### Limbe, Cameroon

Serene, golden sunrises, swaying palm trees... you could be in Tahiti. Actually, try Limbe, Cameroon. Yes, the country that gave us footballer Roger Milla of colourful after-goal jigs. Located an hour west of capital Yaoundé, Limbe sits on the crick of the West African bulge and the peninsular Africa. On a clear day, you can see right out to Equatorial Guinea — a hilly, oil-rich island that rises out of the Atlantic. The adventurous sort could try conquering Mt. Cameroon, which towers behind the tranquil town.

As the sun goes down, you could take a dip in the ocean at Mile Six beach. Limbe's purple and orange sunsets are even more stunning than its sunrises. The rolling waves relax your body as you absorb a coastline that is still largely free of gaudy beachfront casinos and hotels. Once it gets dark, lights from fishing boats far out at sea brighten up the night. End the day with a cool drink by the poolside. For dinner, dig into a sublime local speciality — fried fish and baked plantains, served with what the locals simply call "special sauce".

### St. Petersburg, Russia

The Iron Curtain had an unintended but fortunate effect — it protected the beautiful St. Petersburg from the ravages of shutter-bug tourists. The city was built from scratch by Peter I, a 17th-century tsar, who wanted a Russian city with architectural masterpieces that would rival Europe's finest.

The best way to enjoy St. Petersburg is by walking through the city centre. Most of

AP

**EUREKA:** Most Indian vacationers are yet to discover Athens, the mother city of Olympics

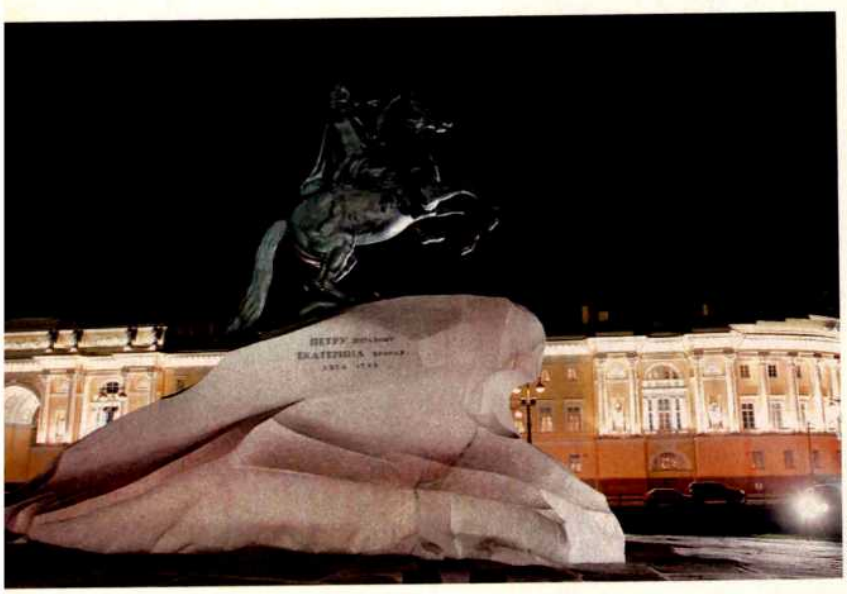
Peter I's favourite haunts are here, including the Peter and Paul Cathedral with its majestic golden spire, the Bronze Horseman monument and the Winter Palace across the Neva River. The Hermitage museum with its three million exhibits is a must-see. Also make time for St. Isaac's Cathedral, where a look from the rooftop offers a panoramic view of what is definitely Europe's most under-rated skyline. The city's present-day planners have been wise to retain St. Petersburg's Renaissance charm despite the pressures to create more public infrastructure. Summer is the best time to visit as you avoid the cold Arctic winds. Anyway, there's always a shot of the best Russian vodka to warm you up.

### Athens, Greece

A mainstream tourism spot for Europeans, somehow this mother city of the modern Olympics remains Greek to most Indian vacationers. That's why we are putting Athens in the off-beat category.

It is almost impossible to turn a single corner in Athens without running into ancient history. In fact, the spectacular ruins of Parthenon that sit atop the Acropolis are visible from almost anywhere in the city. Built in 5th century BC, this breathtaking structure is a testament to the technical genius and aesthetic sensibilities of the ancient Athenians (though, most of the pieces from the frieze are now in the British Museum, London). The walk down the Acropolis leads to the ancient theatres of Herod Atticus and Dionysius, which continue to be in use even today.

**RUSSIAN APPEAL:** Modern planners have retained St. Petersburg's Renaissance charm



REUTERS

If history bores you after a while, just carry on walking further down the slopes of the Acropolis, past the large columns and ruins of Roman Emperor Hadrian's Library and the Roman agora, till you get to Monastiraki Square, one of the most vibrant places in the city, where you can sample some of the best souvlakis — the Greek version of the burger.

Of course, it would be criminal to go all the way to Athens and not go for a swim in the brilliantly azure Aegean Sea, or see the sunset from the Temple of Poseidon in Sunio, or visit the Benaki Museum. One trip may just not be enough to take in all that this wonderfully historical and vibrant city has to offer.

### Qingdao, China

Yes, it is the home of the famous Qingdao (Tsingtao) beer. It is also famous for its rice wine, which comes in handy to stay warm in its brutally cold winter. Then its distinct spicy sea food, which includes baby octopus and duck claws for the adventurous, also makes a trip to this city in the Shandong province special. For the water sports aficionado, Qingdao is a must-see on a trip to China this summer as its neighbouring Fushan Bay will host the sailing competition during the 2008 Olympics. Qingdao has a beautiful sea front with the Yellow Sea to its east.

### Doha, Qatar

Holidaying in a desert city in summer might seem like an oxymoron, but if shopping is what you have on your mind, then Doha, capital of Qatar in the Middle East, is a good alternative to Europe. You can also see a desert transform into a city every day as petro-dollars fuel a realty boom in the area.

There are 11 souks or open-air markets close to each other between the city airport and the southern corniche, the crescent road along the harbour. If outdoor heat interferes with your shopping binge, head for the modern air-conditioned malls. The City Center Mall is quite an attraction for family travellers with its indoor ice-skating and fun-rides.

Don't, of course, forget to try out delicious Arabian food. From a tabbouleh (chopped parsley, mint and crushed wheat) to a hummus to a shawarma to desserts, such as Umm Ali (type of bread pudding) and mehalabiya (pudding with pistachios and rose water), the gourmets can have their fill here.

*Contributed by Pierre Mario Fitter, Sumati Nagrath, Meghana Biwalkar and Rajesh Gajra*

BLOOMBERG

EXOTICA

# Palaces on wheels

**How about taking a trip aboard two of the world's greatest trains?**

NOTHING MATCHES A TRAIN JOURNEY IN THE romance of land travel. Here the journey itself becomes the destination. Don't believe it? Try the following trains.

### Trans-Siberian Railroad

Possibly the grandest train journey of all is the Trans-Siberian Railroad, which even has a Faberge egg named after it. The Transib takes you across nearly a dozen time zones and some of the world's most spectacular landscapes. The most famous route is a 9,200-km journey from Moscow to Vladivostok in Russia's far east. For the economy conscious, it has the four-berth Kupe, and the two-berth Spalny Vagon for the luxe-loving. Despite the stunning Siberian landscape and friendly fellow passengers, it is wise to load up on books and music for the six-day trip.

Transib train attendants may appear officious at first, but most are fairly accommodating of foreign travellers. Often, they're more than willing to get into conversations about life, love and Russian history and culture, of which every self-respecting Russian is an expert. Of course, be prepared for extended use of hand signs and vigorous head nods. Drawing is also a handy way to communicate — the worse the drawing, the funnier the conversation!

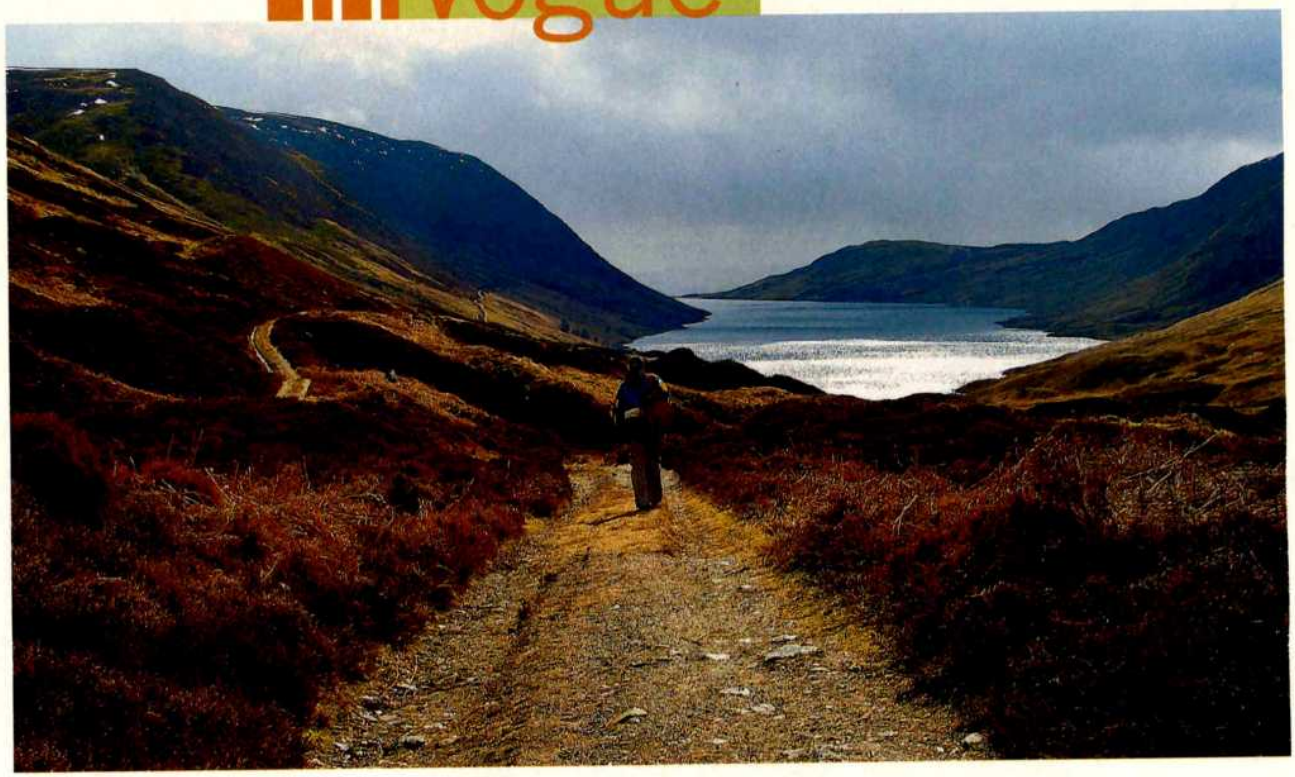
### Venice-Simplon Orient Express

For sheer history, luxury and romance, there is no train in the world to match the Venice-Simplon Orient Express. The original version of the train took people across Europe from 1883 when it ran from Paris to Giurgi in Romania. It became a legend in the 1920s and 1930s when it ran from Paris to Istanbul and was patronised by royalty and celebrities. It also became the setting for Agatha Christie's book, *Murder on the Orient Express*, and many films. But its appeal as a means of trans-Continental travel faded with the arrival of cheaper airplanes. In May 1977, the train was mothballed. Five years later, it was bought and revived by one James Sherwood.

Actually, a British Pullman train takes you across the channel to Paris, where you board the blue and gold coaches of the Orient Express, still steeped in old-world opulence and comfort. Overnight you travel through France and the next day you enjoy the breathtakingly beautiful Swiss and Austrian hills and countryside. You reach Venice in the evening. But it is not just about travelling in plush coaches. Orient Express serves great multi-course meals and wines. And if you're feeling lonely, the bar car is the place to be.

*Contributed by Pierre Mario Fitter and Feroz Ahmed*

**IN THE TRAIN OF WANDERLUST:** Travel aboard these trains is full of old-world charm



MATTHEW DUTTON

ADVENTURE

# Take a hike

**For those who covet adventure in slow motion, hiking and biking work**

THERE IS NO BETTER WAY TO KNOW A COUNTRY intimately than by walking through it. If that is too slow for you, hop on to a bike and do a cross-country trip. Here are a couple of suggestions.

### Walking In Britain

Britain has amongst the most picturesque countrysides in the world, and the locals know it only too well. They have routed, plotted, graded and mapped some of Britain's most beautiful walks for the benefit of visitors. If you're looking for a gentle walk, head to the Peak District in northern Derbyshire. Trails such as Deepdale and Upper Dovedale, usually 6-12 km long, take you through beautiful limestone cliffs and green dales over hills.

Stop by in a local village, have a couple of pints of ale, spend the night in a local bed-and-breakfast, and then head up north towards the beautiful lake district of Cumbria. Among the trails here, the one to Langdale valley is particularly absorbing.

If that's too tame for you, do the eight-day West Highland Way trail in Scotland. But if you don't want to do the entire trail, then stick to the scenic Glencoe and Kinghouse section.

**WALK OF LIFE:** Hiking through naturally beautiful spots such as the English countryside is a joy comparable to very few others

### Biking In China

China is bicycle country; even suited executives ride them to work. So, if you want to emulate the Chinese way, take a four-day bike ride around Beijing's surrounding areas. But be warned, you will need more than just enthusiasm.

Start early from Beijing to avoid the morning rush. Take the North-westerly Badaling expressway to the Great Wall 70 km away. The ride gets steep after this, so have a bike with the right gear ratios. Another 35 km will take you to the Kangxi plains.

Here, you can rent a traditional Mongolian yurt for the night. Genghis Khan designed these for extreme warmth in winter, so dress lightly. The next day, take a horse to the plains and the nearby reservoir. Cycle out by afternoon towards Longqingxia, a holiday resort near a gorge with a river winding through it. Take a barge on the river, and you can get off at some points for bungee jumping, zip lining and rock climbing. The next day will bring a 120-km ride back to Beijing.

The journey back is much easier as most of it is downhill. Still, end your journey with a traditional massage at your Beijing hotel. You will need it.

*Contributed by Sumati Nagrath and Pierre Mario Fitter*

WILDLIFE

# Watery wonder

WHILE JUNGLE SAFARIS ARE THE NORM FOR wildlife seekers, there are many amazingly thrilling sea safaris to do around the world. Here are two.

### Whale Watching Near Boston

Boston is a great harbour for a whale-watching incursion into the Atlantic. During summer, whales migrate from the warmer south to the cooler north, travelling about 4,000 km along the coasts of America.

You take a catamaran from the Long Wharf next to the New England Aquarium. As it can get rather chilly as you go farther into the Massachusetts Bay, carry extra clothing on the trip.

The catamaran moves out of the harbour slowly, and then makes a dash for the whale-watching area, 40-50 km off the coast. Along the way, if you are lucky, you may be raced by dolphins or even entertained by their leaps.

Humpback whales are easiest to spot as they surface to breathe and then dive back, creating huge splashes with their tails. You also see mink and finback whales in the bay. Your catamaran would slow down and linger once whales are sighted.

The odd whale may even swim across the bottom of your catamaran allowing you a closer look. Typically, you would be out there for an hour.

### Shark Diving In South Africa

Though you can get to see great white sharks in their natural habitat in the Australian and Bahamian waters, too, there is no better place than South Africa's Shark Alley to face nature's fiercest animal.

You leave for the habitat of South Africa's native great white sharks from Klein Bay near the Gansbaai village. The shark-diving boats take you to Dyer Island about 8 km inside the sea.

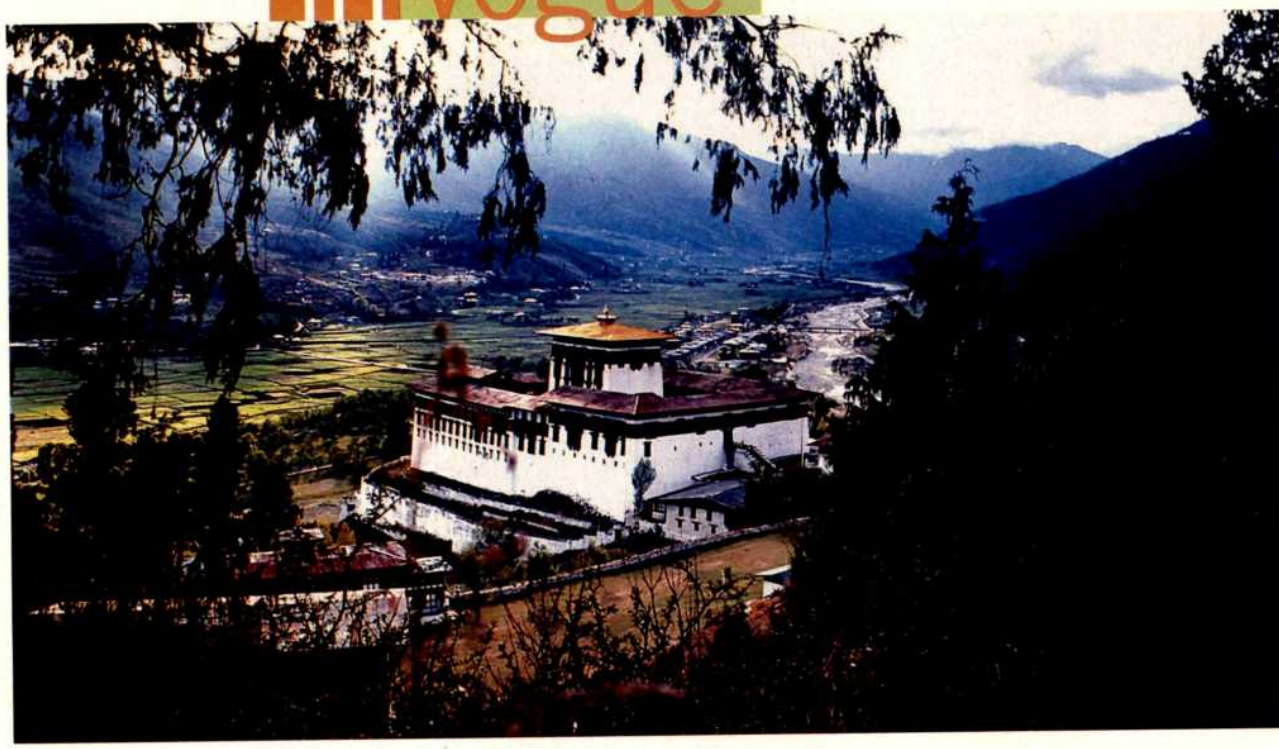
Once there, you throw chum into the water, which brings up the sharks to feed. You can watch them from the safety of your boat. And if you're the courageous kind, you can get into a steel cage and get lowered amongst the feeding sharks for a really close look.

*Contributed by Feroz Ahmed*

**Nothing can be more exciting than watching whales and sharks, live**

**WHALE OF A TIME:** Experiencing the world of great sea creatures pleases tourists no end

REUTERS



SALEINCE

CLOSER HOME

# My country

**No passport or visa? No worries. Take a look around you for great places nearby**

FORGET OVERSEAS, INDIA AND NEIGHBOUR NEPAL (where you don't need a passport to visit) have enough destinations to keep you happy.

### Nepal — Pokhra

For many Indian tourists, a trip to Nepal usually means playing roulette at the casinos of Kathmandu and praying at the Pashupatinath temple. But there is a lot more to Nepal than just that. Of the 14 mountain peaks higher than 8,000 metres in the world, 10 are in Nepal.

Pokhra, the city of lakes, is a great place to take off on assisted flights aboard micro-light planes for an aerial tour of the Himalayas. As the plane flies less than 2 km from the snowy mountain peaks, the view is absolutely stunning. And just when you think you have seen enough, you are served the breathtaking view of Mt. Everest itself. If you have the stomach for greater thrill, you can go peak watching on a hang-glider with an expert flier.

**PRISTINE GLORY:** Pelling in Sikkim serves up a pleasurable treat to the visual sense

### Sikkim — Pelling

The little north-eastern state is blessed with scores of wonderful hill towns that are great retreats to get away from the maddening crowds. Pelling, about 125 km from the state capital, Gangtok, is one of the best. This little town, perched at a height of nearly 7,000 ft, has a clean view of the world's third highest mountain, the 28,169-ft high Kanchenjunga.

The town is also home to the three-centuries-old Pemayangtse monastery. A short but steep hike away is another old monastery, Sangachoeling. It is a great place to unwind, and if you ever get tired of resting, go explore the many hiking trails around town.

### Orissa — Puri

If pilgrimage is your idea of vacation, you are spoilt for choice in India. One of the places to combine relaxation and religion is Puri in Orissa on the eastern coast of India. The beach town is home to the imposing 12th-century Jagannath temple, which is the source of the word 'juggernaut'.

A visit to the architectural beauty will get you a bamboo hit on your head, which is considered a blessing. The temple's most striking feature is a 16-faceted monolithic pillar towering over the main entrance like a sentinel with two massive lions carved out of stone beside it, guarding the way to the Lord.

For relaxation, head to the beach. Only, don't swim if you're not an expert. The strong waves can test even the best. It is also one of the best places in India to view sunrise.

*Contributed by Amanpreet Singh, Feroz Ahmed and Pallavi Chakravorty*

# Get set, click, go

**Thinking of a break and don't know where to start? Try the internet**

THE INTERNET HAS MADE PLANNING A TRAVEL A cinch, if not the travel itself. Any respectable airline, hotel, or tour company must have a website loaded with information and package offers. And then there are blogs, where you get a peek into people's personal travel experiences. Planning an itinerary has never been easier.

However, you may still need travel agencies to handle your international travel, as you need to show your passport and visa to book international tickets and rooms in foreign hotels.

You may also need some hand-holding to plan complex multi-modal, multi-location trips, especially when travelling in a group. Also, airlines and hotels tend to offer best deals directly to customers or through the agencies with whom they have had long association.

Even in the networked US, only half the travel bookings are done online, even though Americans can travel much of the world without visas. Moreover, points out Vikas Jawa, business head, Zoomtra.com, you may hesitate to offer your credit card details online for high-value foreign travel.

Still, travel portals are a tremendous help, particularly for booking local trips in far-off places. For example, ezeego.com has tied up with Eurorail for train trips across Europe and a few cruise liners for cruises. In any case, travel portals in India are new and will take time to generate referrals from satisfied users.

With growing demand from Indian travellers, travel portals are mushrooming — there are already about 30 of them around — making it quite an effort to scour the online travel market for the best deals. Most people end up surfing about 10 portals only to find similar information.

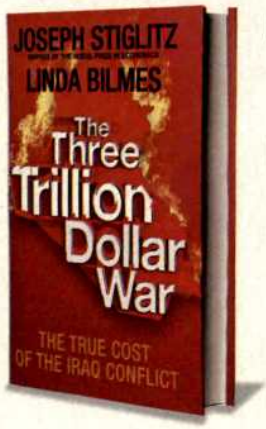
Help has come in the form of aggregator travel portals such as Zoomtra.com and ixigo.com, who scour travel portals to provide you a comparison of the deals being offered by them.

Though the anytime, anywhere convenience of the Net is useful, yet before you actually leave home, do a double-check with the airline and the hotel you booked, particularly when you are using the lesser brands. Sometimes, hotels and airlines directly sell off the same quota of inventory that they allocate to travel portals.

*Feroz Ahmed*

TRIBHUWAN SHARMA

**JUST A CLICK AWAY:** Online resources make travel planning a hassle-free exercise




# True Cost Of The Iraq War

by bibek debroy

**THE THREE TRILLION DOLLAR WAR**
**THE TRUE COST OF THE IRAQ CONFLICT**
**BY JOSEPH STIGLITZ AND LINDA BILMES,**
**ALLEN LANE, PAGES: 295; PRICE: RS 595**

THIS IS A BOOK THAT TAKES COURAGE TO WRITE, even if a co-author has won the Nobel Prize in Economics (2001). Joseph Stiglitz has not only contributed significantly to economic theory, he has been part of policy formulation (Clinton administration and World Bank). According to one ranking based on professional academic journals, Stiglitz is the second most widely quoted (after Robert Barro) living economist today. Many of Stiglitz's recent books (*Globalization and Its Discontents, The Roaring Nineties, Making Globalization Work*) have been targeted at a broader popular audience and this includes the present one. Linda Bilmes is now at Harvard's Kennedy School and was also part of Clinton administration and BCG earlier. She is not an economist in the sense that Stiglitz is one. However, independent of Stiglitz, she has produced good work on public finance and government budgeting.

Stiglitz and Bilmes are against the Iraq war. "By now it is clear that the US invasion of Iraq was a terrible mistake.... Miserable though Saddam Hussein's regime was, life is actually worse for the Iraqi people now..... The notion that invading Iraq would bring democracy and catalyse change in the Middle East now seems like a fantasy." A lot of people, outside US government, would agree and share concern about the Whitehouse effect posing a greater danger to the world than the greenhouse effect. There can be diverse reasons for opposing intervention in Iraq. Rarely are they economic. Indeed, undertaking a cost-benefit exercise for a war, particularly one that is ongoing, is courageous because one is likely to be accused of being anti-national and unpatriotic. Stiglitz and Bilmes have faced such accusations, but much less than one would presume a priori, vindicating the proposition that within US, support for intervention in Iraq is low and waning. To the best of my knowledge, this is the first time anyone has attempted a cost-benefit exercise for an ongoing war.

The book and the February 2006 National Bureau of Economic Research Working Paper that preceded it are about costs, not benefits. One argument advanced by those who work for the US government is that Stiglitz and Bilmes don't consider costs. "Some would argue that we have not included the benefits of the war. We plead guilty to that charge. There was ample evidence before the invasion that the primary alleged benefit associated with going to war — destroying weapons of mass destruction — had no validity and our belief has since been vindicated. There was ample evidence before the invasion that there was no link between al Qaeda and Iraq, but that the invasion risked creating more terrorists. That belief, too, has since been vindicated. There was ample evidence before the invasion that it would not lead to lower oil prices and more stable supplies; here again, our belief has since been vindicated. But even if benefits do unexpectedly appear, good decision making still requires that we have as accurate estimates of the costs as are possible."

Obtaining accurate estimates of costs is hardly easy and requires heroic assumptions. The NBER paper had a figure between $1 trillion and $2 trillion. This book increases it to $3 trillion and after assumptions and estimation techniques used in the NBER paper were criticised, this book has revisions and refinements. $3 trillion is a huge number and brings one to the notion of opportunity costs, one that economists always begin with, but rarely remember thereafter. This is money that could have been used elsewhere, on housing, education, health, technology, research,

**JOSEPH STIGLITZ** was Chief Economist at the World Bank till January 2000. Before that he was Chairman of President Clinton's Council of Economic Advisors. He won the Nobel Memorial Prize for Economics in 2001. Stiglitz is currently University Professor of the Columbia Business School.

**LINDA BILMES** is a lecturer in public policy at Harvard University's Kennedy School of Government. During the Clinton administration she served as Assistant Secretary for Management and Budget and Chief Financial Officer in the US Department of Commerce.

**BROWSING**
**Sandeep Soni**
**Executive Director & CEO, Spanco BPO**

**I am currently reading *Redefining Global Strategy* by PANKAJ GHEMAWAT. This book offers a realistic view of globalisation and the practical tools needed to help businesses cross borders profitably. It enumerates how businesses that take into account specific political, cultural and economic differences are bound to succeed. The other books on my reading list are *Unstoppable* by Chris Zook and *Games Indians Play* by V Raghunathan**

even aid for developing countries and a Marshall Plan for the Middle East. "The issue is not whether America can afford three trillion dollars.... What is clear is that there were a myriad of ways in which we could have spent the money better — leaving the country more secure, and more prosperous, and so better prepared to face future threats." Many people don't oppose wars, or public expenditure in general, because these trade-offs in choice, including crowding out of private expenditure, aren't transparent and this has to do with quality of government budgetary information. Accordingly, the book ends with suggestions about reforming US government budgetary processes. This is a compelling book that transcends Iraq and US, because it raises issues that concern accountability of all public expenditure.

Bibek Debroy is an economist and a research professor at the Centre for Policy Research

**SELECTION 1**

## Greenest Of The Green

**CLEAN CAR WARS HOW HONDA AND TOYOTA ARE WINNING THE BATTLE OF THE ECO-FRIENDLY AUTOS**
**BY YOZO HASEGAWA, TRANSLATED BY ANTHONY KIMM WILEY, PAGES: 200; PRICE: $24.95**

A FUNDAMENTAL CHANGE HAS BEEN TAKING PLACE in the auto industry since the 1960s and 1970s. The first was the birth of green movement with Rachel Carlson's 1962 book *Silent Spring*, which sparked public awareness against environmental damage. The second was the 1973 oil crisis that happened after the Oil and Petroleum Exporting Countries (OPEC) cut supplies to nations that, according to them, helped Israel during the Yom Kippur war. This forever linked oil supplies to (in)stability in the Middle East. The third was a reaction to the first two events. In an effort to stem high fuel prices and curb pollution, the US and then Japan – the largest car making countries – enforced stricter fuel consumption and emissions standards for cars. Author and journalist Yozo Hasegawa's book, CLEAN CAR WARS, looks at how Japanese auto giants Toyota and Honda, understood and capitalised on this shift much faster than US auto giants such as General Motors and Ford.

Hasegawa (and several auto industry experts) believes that the fuel efficiency and pocket-friendliness of Japanese cars are what have made them best sellers. With nearly $250 billion revenues last year, Toyota is now $70 billion ahead of nearest rival, General Motors.

Hasegawa has spent decades covering the global auto industry. *Clean Car Wars* is a consolidation of several articles he wrote on the emergence of green vehicles. While much of the writing is Japan-centric, Hasegawa does dedicate several pages to emerging technologies and concepts from other countries. The most important aspect of this book is that Hasegawa gives readers an insider's understanding of the fundamental changes affecting in today's auto industry. His argument is simple. Green cars are the only way car makers will remain competitive in a future that's increasingly worried about $110 oil and climate change.

*—Pierre Mario Fitter*

**SELECTION 2**

## Corporate Do-gooders

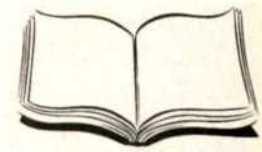
CORPORATE SOCIAL RESPONSIbility (CSR) has become a term akin to socialism. Just like a hat that has lost its shape because everyone wears it, as philosopher C. M. Joad said. The concept of CSR remains nebulous in India with both local companies and multinationals defining it as per their respective needs. This is also perhaps an indication of the inherent struggle in the responsiveness of corporate to this 'responsibility'.

IT'S ONLY BUSINESS! INDIA'S CORPORATE SOCIAL RESPONSIVENESS IN A GLOBALISED WORLD (Oxford) by Meera Mitra brings out this contradiction — between business interest and social responsibility — and how Indian corporates are responding to the challenge. The book has some excellent examples of CSR activities undertaken by governments worldwide. It also highlights the struggle that the foreign companies face when they have to balance their CSR activities with expansion plans outside their home country.

Eulogising the commitment towards CSR by likes of Tata and Infosys in staying ahead of the government responsibility towards society, Mitra attempts to link Mahatma Gandhi's philosophy on social responsibility, that of 'trusteeship' and the CSR models adopted by Indian companies. This book is must for the library of corporates in India and the MNCs operating here.

*—M. Rajendran*

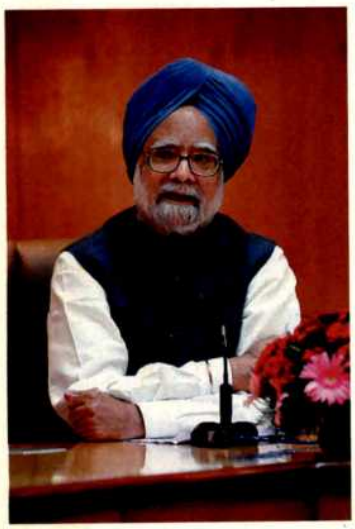
**ALERT**



**TWENTY CHICKENS FOR A SADDLE: THE STORY OF AN AFRICAN CHILDHOOD**
**BY ROBYN SCOTT**
**BLOOMSBURY PUBLISHING**
**A heart warming and humourous retelling of the 15 years a family of five spent in Botswana after leaving the far safer and greener pastures of New Zealand. As we read about the mother's indefatigable efforts to home school her three children and the father's determination to keep his flying doctor's practice, we also learn about modern-day Botswana and its struggle to maintain its democratic ethos even as it deals with the AIDS epidemic.**

# Inflation In Rhetoric

WHEAT PROCUREMENT HAS BEEN SURPRISINGLY brisk this year. As against total procurement of 11.1 million tons last year, it has crossed 11.4 million tons already, even before April is over. A good proportion of the crop is still to be harvested, let alone brought to the market; if the government is aiming to procure 18 million tons, it should have no great difficulty in buying the quantity.



BLOOMBERG

**The surfeit of words in media & politics that inflation has generated is threatened with sudden death if the wheat harvest brings down prices**

The high level of procurement, even before the crop is quite in, implies that farmers and traders have been selling off old stocks and passing them on to Food Corporation of India. They will replace their inventories with new stocks. That means that they expect to buy as much as they want; they have no fear of a shortage this year. FCI, on the other hand, may incur losses if it tries to get rid of the old stock.

These signals have a larger message: that the surplus this year is going to be greater than the government and the market want to add to their inventories. So it is almost certain that the rest will be downloaded in the market, and that prices will come down in May and June. That should be a pleasant surprise for the government. For government purchases only reduce the surplus that is sold in the market; in any given supply-demand situation, the government can only raise the market price if it buys up grains. Thus government procurement induces inflation; but the crop is so huge this year that despite all the government's purchases, inflation is likely to come down.

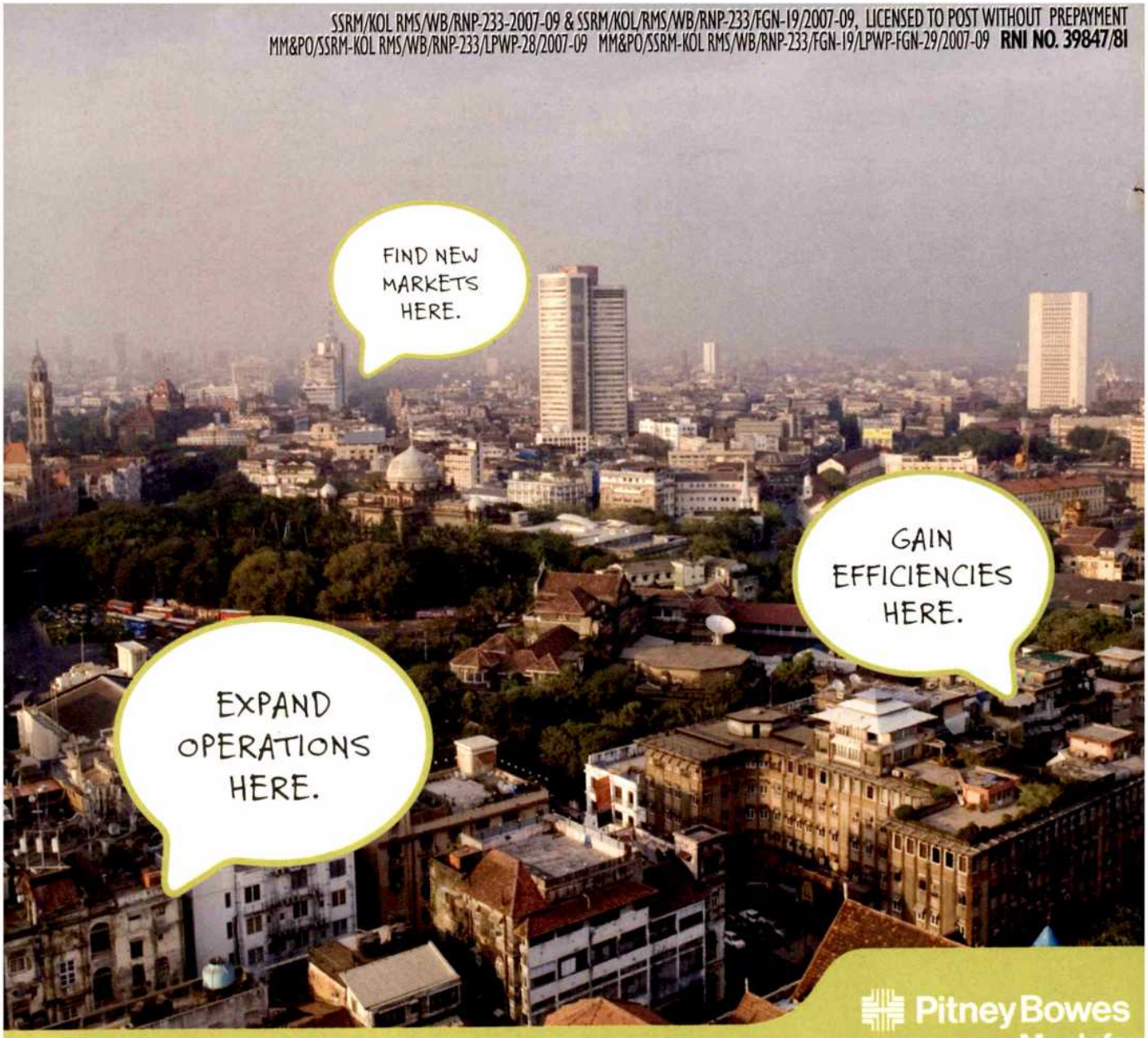
If the government reads these portents right, it will get the courage to confront its leftist allies, whose rhetoric has risen with inflation. They are perpetually embarrassed by the fact that they are supporting a capitalist government, and try to delude their supporters by attacking it. The inflation has given them a God-sent opportunity to attack the government; and till now, the government has been on the back foot. It has been taking so many desperate, ill-thought-out measures to curb prices, with very little effect. Now it can sit back and tell its allies to relax; inflation is likely to come down.

Its worries are not quite over yet. For the Left has a weapon worse than words to wound it. In fact, the Left can give the government a kiss of death: it can refuse its support in Parliament, in which case the government would fall. Its price for letting the government live is laid down in its six demands. If it had its way, forward markets would be banned in 25 commodities, PDS allotments of foodgrains would be restored even to states that did not use them, the public distribution system would be extended to hitherto excluded sections (read people above the poverty line), the maximum stocks a trader can hold would be brought down from 50,000 to 10,000 tons, purchases of crops by traders would be curbed, and excise and customs duties on petroleum products would be reduced.

The CPM could make support for the budget conditional on the acceptance of the conditions. But it will do so. For the Left loses even more from the fall of the government than the Congress does. The CPM is poorly prepared for an early election. In West Bengal, the government's atrocities in land acquisitions have cut into its support; in Kerala, personality clashes have weakened the party. So it is likely that the party will compromise; if the government accepts one or two of the demands, it can survive. In particular, more foodgrains for West Bengal would do the trick, even if they are only going to be smuggled into Bangladesh. West Bengal turns a blind eye to this clandestine export, which is highly lucrative to all parties involved.

In response to the demands of the Left, Dr Manmohan Singh made quite a tough statement, telling parties not to "politicise the misery of the people," or create "an environment of scarcity." That is a peculiar point of view. The National Democratic Alliance was lucky: its years saw enormous surpluses of foodgrains, and a benign price situation. But if they had seen inflation, it is highly unlikely that Dr Manmohan Singh, who was leader of the opposition in the Upper House, would have sat back quietly. Scarcity is not created by irresponsible statements of politicians; it is created by an excess of demand over supply. And while the excess may be exacerbated by accumulation of inventories in the expectation of rising prices, stocks cannot be increased without spending money. Inventories reflect the state of liquidity. If the Prime Minister fears hoarding, he should ask the Reserve Bank to tighten liquidity, and the finance minister to reduce expenditure. Inflation can only be curbed by sensible action, not by emotional statements.

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09, LICENSED TO POST WITHOUT PREPAYMENT
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 **RNI NO. 39847/81**




Pitney Bowes MapInfo

## FROM MORE EFFICIENT OPERATIONS TO HIGHER ROI, YOU CAN LEARN A LOT FROM LOCATION.

Location intelligence can tell you precisely how and where to grow. How to add more wow to customer service. Even how to make your operations more efficient, and your offerings more differentiated. To start listening, talk to the location intelligence professionals at Pitney Bowes MapInfo. Through comprehensive software, expansive data sets, expert consulting and support, we help your entire organisation leverage the unique power of location-centric information for better, more informed decisions. See what location intelligence tells you. For more information contact us at india@mapinfo.com. **Be Location Intelligent®**

**See how location intelligence drives key business decisions.**
**Download *Location Intelligence: The New Geography of Business* at mapinfo.com/location64**

©2008 Pitney Bowes MapInfo Corporation. All rights reserved. MapInfo and the MapInfo logo are trademarks of Pitney Bowes MapInfo Corporation.

CHINA'S FLOWERY STRATEGY P.36 FOOD: GLOBAL PICTURE P.44

Rs 10

# Businessworld

www.businessworld.in

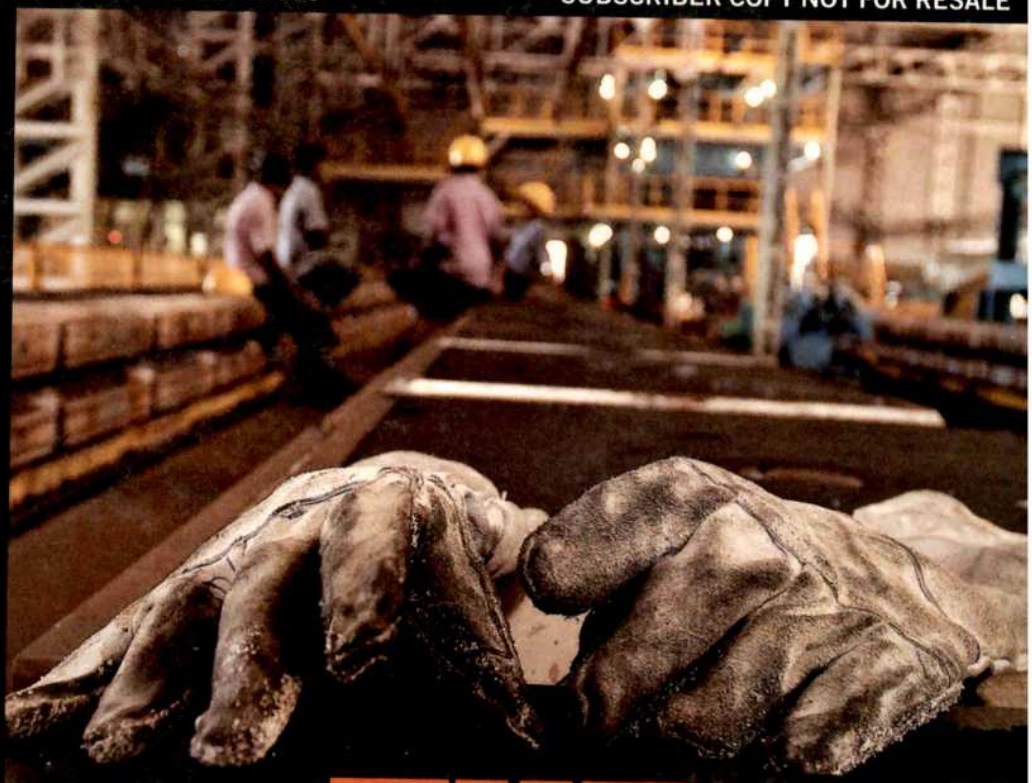
19 MAY 2008

SUBSCRIBER COPY NOT FOR RESALE

## COUNTRY REPORT

## HOW TO DO BUSINESS WITH BRAZIL

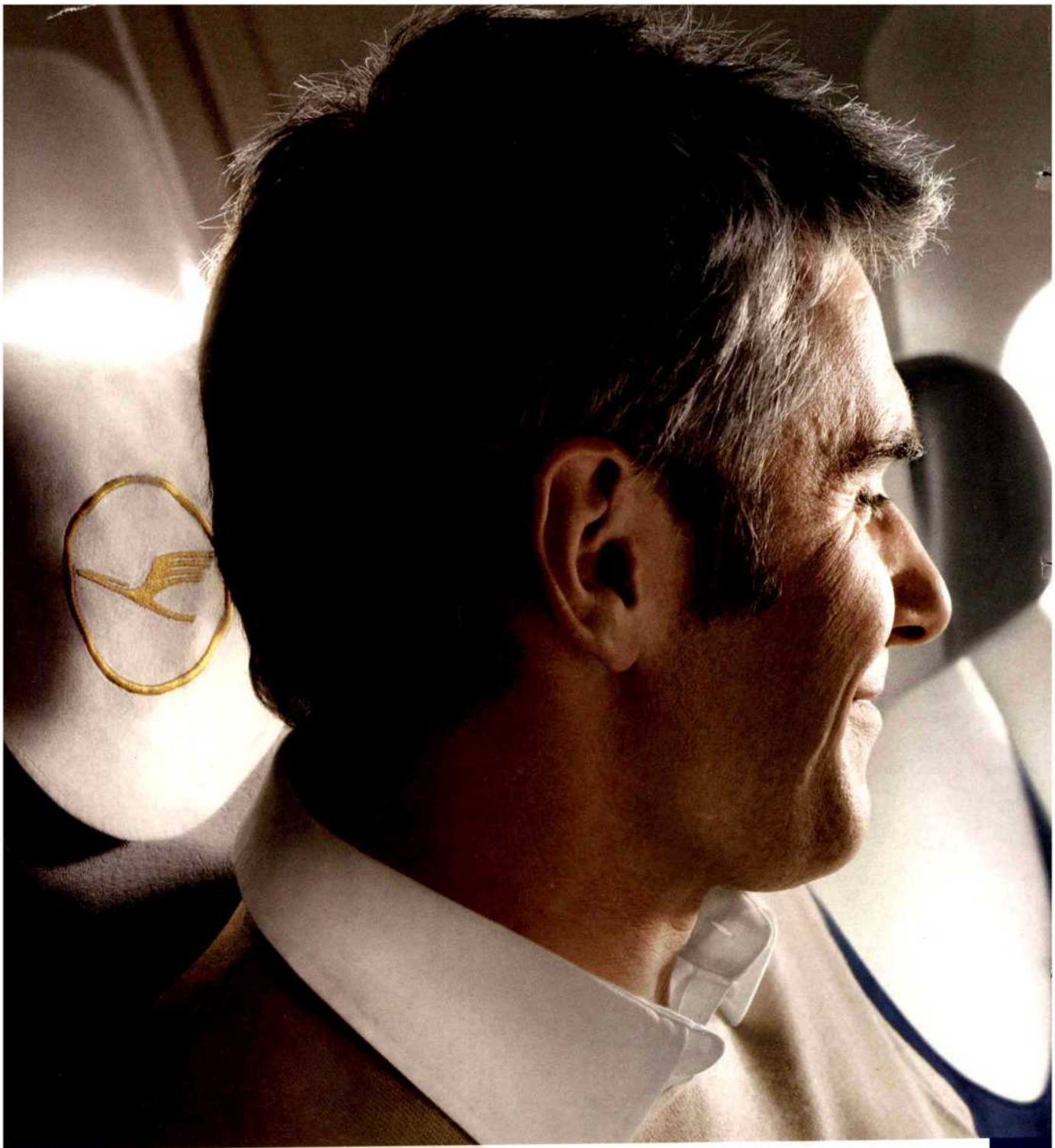
PAGE 49



# THE GLOVES ARE OFF

Small manufacturers are losing the battle against the high cost of money, power and raw materials

No. 1
NDIA'S
USINESS MAGAZINE
IOST READ



We are the No. 1 European airline in India. Along with our partner SWISS, we offer a choice of 69 flights* from Delhi, Mumbai, Chennai, Bangalore, Hyderabad, Kolkata and Pune** to our European hubs in Frankfurt, Munich and Zurich. For more details, log on to **www.lufthansa.com**

*Additional flights: Kolkata to Frankfurt from June 4. **New service: Pune to Frankfurt from July 1.

ere's no better way to fly.

Lufthansa

A STAR ALLIANCE MEMBER ™

# Editor's Letter

# Gearing Down

**by jehangir s. pocha, editor**

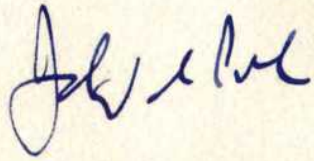
MARKETS ARE DRIVEN BY SENTIMENT, and New Delhi is trying hard to keep both buoyant. That's understandable, but the degree to which New Delhi is obfuscating national and global economic problems is verging on dishonesty. The 9 per cent growth mantra is still being religiously chanted by all and sundry. But a team of *BW* reporters that fanned out across the country report that in many areas, small manufacturers have lost between 15 per cent and 50 per cent of their business in the past year.

This is disturbing. A slowdown in small-scale manufacturing usually signals a general slowdown. SMEs are also key drivers of employment. In the classic economic trade-off between inflation and employment, North Block is following the US in focusing on the former. But employment is really the key to development in India and a shrinking small manufacturing sector spells disaster on this front.

The Finance Ministry is helping out with sops, such as lower duties and taxes. The Reserve Bank is also tackling inflation by curtailing money supply. But these are band-aid solutions for chronic conditions.

The high cost of doing business in India is not only related to the current bout of food price-led inflation or increases in money supply. Much of the problem is structural. SMEs borrow at 14 per cent not because of shrinking money supply but because they can't get easy credit from our oligopolistic banking sector. Manufacturing costs are high because electricity costs more in India than in most countries. Lastly, while the costs of inputs, such as steel and cement, are rising globally, in India cartels are escalating prices in these industries.

Officialdom is steadfast in its failure to address these issues. Meanwhile, the gap between India and China, which we thought was narrowing, is growing. Once, we thought growth would force changes in our governance. In fact, our *babus* and *netas* are proving more resilient, and it could well be that they end up derailing growth.




**Businessworld**

**Volume 27 Issue 52.**
**For the week 13-19 May 2008,**
**Released on 12 May 2008.**

**Editor**
Jehangir S. Pocha

**Editorial Offices**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

**Advertisement/Circulation/ Subscription enquiries**
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

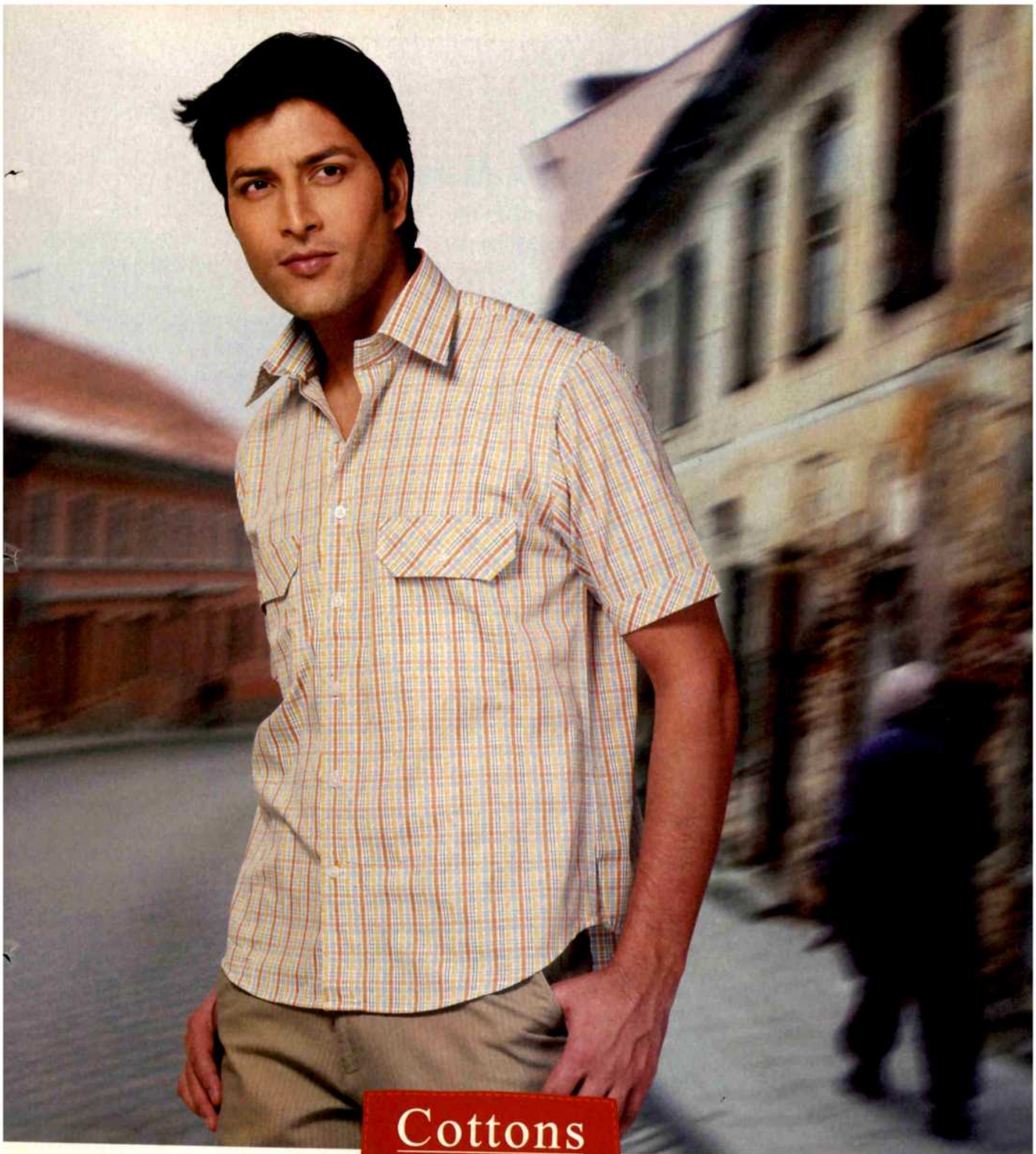
**Head Office & Regd. Office**
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

**Regional Offices**
**Chennai**
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
**Bangalore**
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
**Hyderabad**
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

**Subscription Service**
To subscribe or renew, please contact at
*businessworldsubscriptions@abpmail.com*
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

*Businessworld* does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

*Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.*
*Editor: Jehangir S. Pocha*
*R.N.I.No. 39847/ 81*




*Wear fresh air!*

Cotton Confidence >> Shirts | Trousers | T-Shirts | Kurtas | Accessories >> Century Confidence

**FOR FRANCHISE ENQUIRIES CONTACT:** E-mail : subrata@centurytext.com
**FOR CORPORATE ENQUIRIES CONTACT:** Cell: 09323962503
**CENTURY TEXTILES AND INDUSTRIES LTD. Apparel Department :** Pandurang Budhkar Marg, Worli, Mumbai - 400 030, INDIA
Tel.: +91 - 22 - 24957000, Fax : + 91 - 22 - 24305757

Website: www.cottonsbycentury.com

Plant a Tree Protect your environment

Deadline

# Feedback your comments

## Not A Mere Paper Tiger

Your cover story 'The Quiet Globalist' (*BW*, 12 May) brought the paper industry in focus. It is an industry that has often been neglected but has great potential and certainly a great future. At present, BILT is ranked 95th in the global market but its steps towards capturing the European market will give it a competitive edge in overall output. Gautam Thapar's plan of diversifying his business and going global is a smart step indeed. When I visited one of the BILT branches near Hyderabad on an industrial tour, I experienced first hand how Thapar has established in his company a work culture that provides job satisfaction to different classes of employees besides ensuring high output. He has identified the major reasons for inefficiency and dealt with them successfully.

**Udit Bhanu Pradhan,** via e-mail

**WRITE IN AT**
bweditor@abp.in
or post us on
www.businessworld.in

## Ads That Drive Us Mad!

I share your sense of exasperation with the never-ending sequences of commercials on almost all the TV channels ('Stop The Deluge', *BW*, 12 May 2008). But I am inclined to stop short of his call for the enforcement of external regulations about the duration of ads. The media — both print and visual — are in situations of fierce competition and needless restrictions on their business models could hamstring them. In a cut-throat market like today's, it is inevitable that media houses will strive to maximise their ad revenues. Since the ad rates cannot be hiked beyond a point in a competitive market, the best option for them is to heavily raise the ad content. Sensible self-regulation would be more consistent with a free and healthy market, where more than a hundred providers guarantee the kingship of the remote-wielder.

**M.H. Rao,** via e-mail

## FM's Concern For Inflation Too Late

Our Finance Minister P. Chidambram seems to have finally become concerned about inflation after it refused to obey his magic wand. Going by past experiences, we can't be overly positive about his plans. We have seen budgets of a queer kind, in which he spawned a large number of new taxes such as fringe benefit tax, securities transaction tax, education cess and the most brazenly unjustifiable cash withdrawal tax by which cash drawn from one's taxed income was taxed another time. His lack of conviction about inflation control measures is visible as he refuses to identify with these measures. Now that none of his measures have shown any sign of succeeding, he should quit his portfolio.

**Varadhachari Srinivasan,** via e-mail

## Reservation Harms Beneficiaries

The article 'Dump Reservation' (*BW*, 5 May) clearly reveals the pitfalls in the Indian reservation policy. Giving reservations in the private sector will not only hinder India Inc's economic growth but will also tag the so-called backward castes as 'dependent' forever, which will be worse than the situation now. In a time of globalisation, when quality is given more importance than quantity, it will only make it tougher for those in the reserved category to succeed in the hyper-competitive scenario.

**Vivek Datta,** via e-mail

*Letters may have been edited for brevity.*

LAUNCHING

# Sundaram BNP Paribas

Select Thematic Funds

# ENTERTAINMENT OPPORTUNITIES

**Investing in stocks of**: Media Houses • Broadcasters • Multiplexes • Content Providers • Mobile & Web-Based Services • Convergence Players • Leisure • Emerging Entertainment Businesses

**Light up your investment portfolio.**
**Turn the camera on the booming entertainment business.**
**And get your very own piece of the exciting action!**

**NEW FUND OFFER**
Opens 24 April '08

Closes 20 May '08
~ Open-end equity scheme ~

**Rs.10/- per unit + applicable entry load**

India's rapid pace of growth has unleashed a whole new generation of people with a lot of extra money to spend. So leisure and entertainment have become great growth industries.

While people spend their money playing games on their mobile phones or gaming consoles, at movie halls in multiplexes, or watching the daily news on satellite TV, you can earn by investing in these businesses. That is exactly what Sundaram BNP Paribas Entertainment Opportunities proposes to do. Let's say investing in this fund is one way of making money from what you spend on movies!

**Investing was never so much fun!**

**Call your investment advisor now or SMS : SFUND to 56767 to become a willing participant!**

**Reach us at :**
Toll-free no. (BSNL & MTNL only): 1800-425-1000 All Service Providers: 044-28578700
Email: service@sundarambnpparibas.in www.sundarambnpparibas.in

**SMS: SFUND to 56767**

SUNDARAM BNP PARIBAS
MUTUAL
UNEARTHING OPPORTUNITIES

**l Fund Investments are subject to market risks. Please read the offer document carefully before investing.**
of the offer document, key information memorandum and application form may be obtained from the offices / investor service centres of Sundaram BNP Paribas Asset Management, its distributors and online at **undarambnpparibas.in.**

**ype:** Open-end equity scheme; **Investment Objective:** Seek capital appreciation by investing in equity and equity-related securities of companies that focus on opportunities in the entertainment business. **Plans:** Regular & ional; **Options:** Dividend Payout, Dividend Reinvestment & Growth; **Load Structure/Investment Amount/Expenses:** **Regular Plan-** Entry load is 2.25% for investments of less than Rs 5 crore and nil for amount equal to or in of Rs 5 crore. There is no entry load for applications directly submitted to Sundaram BNP Paribas Asset Management. Exit load is 1% for redemption within 6 months from date of allotment and 0.5% for redemption after six and before 12 months from the date of allotment. No exit load for redemption after 12 months from date of allotment. The minimum amount is Rs 5,000 for Regular Plan and for subsequent investments, Rs 500 & multiples The total expense ratio, including fees, is 2.50%. **Institutional Plan:** The minimum first-time investment is Rs 5 crore and subsequently Rs 5 lakh and in multiples of Rs 1. There is no entry load or exit load. The applicable Pratio, including fee, is 1.50%. The plan is open to categories of specific institutional investors mentioned in the offer document. There is no entry & exit load on units allotted on reinvestment of dividend. **Asset Allocation:** n 65%-100% in equity and equity-related instruments of the target sector/theme; up to 35% in equity outside the theme and up to 15% in fixed-income and money market instruments. Equity Investments under the targeted may also include overseas equity securities up to a maximum of 35% of net assets of the Scheme. . NAV publication/sale/redemption will be done on all business days after the scheme re-opens for fresh otion/redemption, which shall be not later than 30 days from date of closure of subscription in New Fund Offer. **Scheme-Specific Risk Factors:** The risks associated with the thematic portfolio will be lower than that of a pecific fund and higher than that of a typical diversified fund. As the scheme will invest primarily in entertainment space, performance could be impacted by factors such as a dramatic slowdown in consumer spend, high any, imposed by the government and changes in regulatory environment, to name a few. As the scheme may take concentrated exposures the NAV volatility will be higher than that of a typical diversified equity scheme. status for long-term capital gains and dividend will depend on the fund investing at least 65% in equity to qualify in accordance with provisions of the Income-Tax Act. If and to the extent, the portfolio includes overseas investors will be exposed to country risk, currency risk, geo-political risk, legal restrictions and regulation changes in geography other than India. As the scheme focuses on entertainment theme concentration risk is high. **l Risk Factors:** Mutual fund investments are subject to market risks. There is no assurance or guarantee that the objectives of the scheme will be achieved. Past performance of the Sponsor/Asset Management Company/Fund t indicate the future performance. Investors in the scheme are not being offered any guaranteed or indicated returns. Sundaram BNP Paribas Select Thematic Funds Entertainment Opportunities is only the name of the and does not in any manner indicate either the quality of the scheme or its future prospects and returns. NAV may rise or decline depending on market conditions. Main types of risks are market risk, liquidity risk, credit risk emic risks. Changes in government policy and tax benefits applicable to mutual funds may impact returns to investors. At times, liquidity of investments may be impaired. There is risk of capital loss. **Statutory details:** m BNP Paribas Mutual Fund has been set up as a trust under the Indian Trusts Act, 1882 **Sponsors:** Sundaram Finance Limited & BNP Paribas Asset Management. **Investment Manager:** Sundaram BNP Paribas Asset ment Company Limited. Trustee: Sundaram BNP Paribas Trustee Company Limited. The sponsors are not responsible or liable for any loss

Businessworld 19.05.08

28

CP SHANMUGHAM

## COVER STORY

# 28 In Dire Straits

The state of small enterprises raises questions over the extent and sustainability of India's economic boom.

## ON POINT


**10 High Interest**
Anomalies in interest rates have led to a short-term liquidity crunch.

**11 Global Ambitions**
Bharti's $40-bn is for South Africa's MTN is the biggest by an Indian company.

**14 Talent Hunt**
Expecting big business, global private equity firms are hiring big time in India.

**16 FIANCHETTO**
Weekly strategic corporate moves.

**18 QUICK TAKE**
Should India raise food subsidies?


## IN THE NEWS


**22 Not Very Sweet**
Despite heavy funding, Maharashtra's sugar co-operatives are not doing well.

**24 Chinese Checkers**
The heparin case could have repercussions for Indian companies, too.

## 25 Customer Is Not King
In battles among telecom companies, the consumers are at the receiving end.

## IN DEPTH

## 36 CIC-JC Flowers Tango
The Chinese SWF's deal may be about more than avoiding US criticism.

## 38 Coconut Water
The business in one of nature's most valuable gifts has interesting dynamics.

## 44 Managing Food
How governments are tackling the food crisis across the world.

## COUNTRY REPORT

## 50 Betting On Brazil
How India can harness the potential for trade with the Latin American giant.

## 55 Interview: Miguel Jorge
Brazil's trade minister wants India to reduce trade barriers.

## 56 Doing Business in Brazil
Exploring investment opportunities.

## 58 The CII Trail
The CII conclaves were a step forward to boost trade between the two nations.

## 60 Brazil Politics
President Lula's aggressive growth programme has changed Brazil's economy.

## 62 The Carnival Economy
The annual colourful bonanza is an integral part of Brazil's tourism industry.

## TECH TALK

## 66 Tracing The Roots
The Genographic Project is unearthing secrets about human evolution.

## 70 Pioneer Research
An antidote for dreaded Alzheimer's disease is in the offing.

## IN VOGUE

## 73 Indian Bands
They are making a mark in the West.

## 78 Resort On Wheels
A novelty theme resort in Gurgaon.

## 80 Bookmark
The emerging giant; from boys to men; and water, water nowhere.

## COLUMNS

## 20 Ashok V. Desai
Manmohan Singh's annual homily.

## 26 Nayan Chanda
Buying only local is not a good idea.

## 40 Kenneth Rogoff
Silver lining in high commodity prices.

## 47 Rajeev Dubey
The myth of industry cartels.

## BW & YOU

## 06 FEEDBACK

## 82 BW OPINION


**Cover Design by Jyoti Thapa Mani**
**Photograph by CP Shanmugham & AP**


**BWonline**
**businessworld.in**
WEB EXCLUSIVES
The IPL Trophy
Stefan Szymanski tells Chetna Mehra how broadcasters could be the real winners.
Technocool
Tushar Kanwar on the dv3000 HP Notebook and the HP Officejet H470b mobile printer.


Total No. of pages including cover: 84

BANKING

# In Whose Interest?

**Despite surplus liquidity, lending rates have not come down**

SUBHABRATA DAS

**SHORT BENEFITS:** Banks are paying high for short-term deposits, but not passing the costs on

INTEREST RATES SEEM to be behaving oddly just now. First, the cash reserve ratio (CRR) — the percentage of deposits that banks have to park with the Reserve Bank of India (RBI) — has been hiked by 225 basis point (bps) since December 2006 to 8.25 per cent, while bank deposit rates have gone higher by 100 bps at the short-end. Yet, the average lending rates of banks still hover at 12.5-13.0 per cent.

"It's a peculiar situation," says Sachidanand Shukla, economist at Enam Financial Services, a Mumbai-based firm. "If there is surplus liquidity, then interest rates have to go down. If it becomes lower due to the CRR hikes, then it has to go up. Out here, nothing of that sort happens."

The irony is that it is the RBI that is forced to create the liquidity in the first place: it injects rupees into the system when it buys dollars. This adds to the money supply, which stokes inflation. To rein in inflation, the RBI hikes the CRR on which banks get paid no interest; and the mandarins in the finance ministry make it clear that there will also be no interest rate hikes!

Analysts point out that one reason why banks cannot take a clear view on interest rates is the fact that the liquidity creation on account of the RBI's dollar purchases itself is lumpy. Over the past year or so, while average monthly dollar purchases by the RBI have been at $3 billion-4 billion, there have been periods of sharp spikes as well. So some larger private banks — who operate on a just-in-time basis — may be caught between a rock and a hard place.

*Raghu Mohan*

**$1** **trillion. The projected earnings of OPEC members from oil exports this year.**

**QUOTE OF THE WEEK** **"We must scrap the Food and Agriculture Organization."**

— Abdoulaye Wade, President of Senegal

**TELECOM**

# Tough Call

**If Bharti buys MTN, it will be corporate India's biggest acquisition**

BLOOMBERG

CORPORATE INDIA'S ambition is getting loftier. This time, Bharti Airtel has bid for South Africa's MTN Group, valuing it at $40 billion. A 51 per cent stake could cost Bharti $19 billion — nearly 2-3 times the biggest acquisition an Indian company has made.

Obviously, Bharti Chairman Sunil Mittal is aiming for the moon. Bharti's 66 million subscribers in three countries coupled with MTN's 68 million in 21 countries could propel Bharti among the world's top 10 telecom companies by revenues. A Bharti statement said discussions are still at an early stage.

But the acquisition of MTN could happen only with a fair share of financial leverage by Bharti. Its advantage: net debt of barely $70 million. Its current market capitalisation at $45 billion is 1.28 times MTN's current market cap of $35.6 billion. The question is: can Bharti absorb a company larger than it? Bharti had recorded a revenue of Rs 27,000 crore in April 2008 while MTN had about Rs 38,000 crore during the same period.

For now, though, the market has given its verdict; while MTN's stock has risen 8 per cent since the talks were announced, Bharti's has fallen 2.4 per cent to Rs 872 on 7 May. Global ambitions, clearly, don't come cheap.

*M. Rajendran*

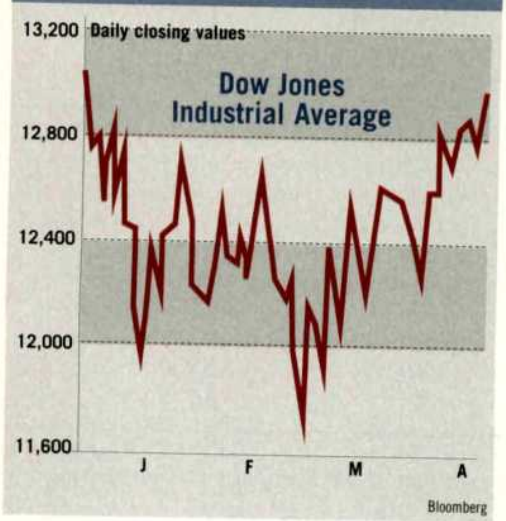
**MARKET VERDICT:** MTN's stock has risen 8 per cent, Bharti's has fallen 2.4 per cent

AP

**After years of** strained relations, caused by rows over wartime history and offshore resources, China and Japan are coming together. Chinese President Hu Jintao is on a visit to Japan. Jintao and Japanese Prime Minister Yasuo Fukuda have signed a blueprint for future ties, including a yearly summit between the two nations' leaders.

## DOW ON THE MOVE

The Dow Jones Industrial Average closed above 13,000 for the first time since 3 Jan.




Bloomberg

**HEDGE FUNDS**

# HOT COFFEY

FOR THOSE PINSTRIPE-WEARING market-watching tribesmen, shaggy haired Greg Coffey is a demigod. And the 36-year-old fund manager's decision to leave London-based GLG Partners, one of Europe's largest hedge funds, to start his own fund has left many of them bewildered.

Coffey, one of the top fund managers in the world with earnings of $300 million last year, has walked away from $250 million in unvested shares and cash awarded to him under the company's equity participation and long-term incentive plan. Despite their best attempts, the top management at GLG has failed to retain its star employee who manages a portfolio that represents almost a third of GLG's managed funds of $24 billion and generated about 60 per cent of its performance fees last year. Coffey's move underscores the increasing difficulty that publicly listed funds face in retaining star fund managers, who are likely to walk away with a chunk of clients.

*Sumati Nagrath*

## WINDS OF DISASTER

A billboard is seen fallen following last weekend's devastating cyclone, on Sunday, 4 May, in Yangon. Myanmar is delaying a constitutional referendum in areas badly hit by a cyclone that killed more than 10,000 people and may have left as many as a million homeless. Officials fear the death toll could soar.

AP

BEIJING OLYMPICS

# The Outsiders

IN CHINA, WHERE outsiders were always welcome, the immigration bureau has announced that visitors with business visas may not stay in China beyond 1 July, even if their visas are valid after that date.

Visas may be extended beyond 1 July in Beijing, but only after thorough background checks. However, this option is no longer available to citizens of certain countries, including India. They will now have to return to their home countries to apply for an extension.

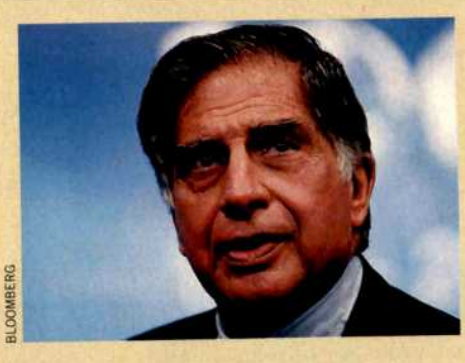
China fears Tibetan protesters will enter the country before the Olympics and create havoc. So, it won't extend visas of those who come in early to avoid the extra security checks that will start after 15 July because of the Olympics. China is singling out India because many Tibetans have Indian passports.

*Pierre Mario Fitter*

**CONTROL REGIME:** Visitors with business visas may not stay in China beyond 1 July

BLOOMBERG

## RECOGNITION



BLOOMBERG

# Bharat Ratan

TATA GROUP CHAIRMAN RATAN TATA IS ALL set to receive the country's second highest civilian award Padma Vibhushan on 10 May. He had already received the Padma Bhushan award in 2000. When he launched the historic Rs 1-lakh car Nano, *BW* had suggested that RNT be given Bharat Ratna for his remarkable endeavour. Interestingly, JRD Tata had received Padma Bhushan in 1957 before he was awarded Bharat Ratna in 1992.

## Reality Check

**Men living in polluted areas are more likely to go bald than those living in a cleaner atmosphere, says a study by the University of London.**

MICROSOFT-YAHOO!

# UNSUNG SWAN SONG

ON 1 FEBRUARY, Microsoft announced the largest ever offer in tech history for Yahoo!. A grand swan song for Bill Gates and a sweeping attempt at taking on the online ad leader, Google. MS looked for a solution for the future that is more online than off.

Abandoning the $46.5-billion deal on 4 May caused a 12 per cent drop in M&A volume in the year till date within the US; kept funds of approximately $124 million from reaching advisory investment banks; and took away money from the Yahoo! shareholders.

BLOOMBERG

With MS and Yahoo! pressurised to grow, the clear winners are companies waiting to be acquired. The sharper rise of stock prices of Time Warner (AOL) and NewsCorp (MySpace) is a clear indication of the changing landscape.

*Manashwi*

# TOP 10 LISTINGS

**TOP US POLITICAL PUNDITS**

| | |
|---|---|
| 1 | Karl Rove (FOX News) |
| 2 | Chris Matthews (MSNBC) |
| 3 | Sean Hannity (FOX News) |
| 4 | Rush Limbaugh (ABC) |
| 5 | John Harris & Jim Vandehei (Politico.com) |
| 6 | Matt Drudge (Drudgereport.com) |
| 7 | Tim Russert (NBC News) |
| 8 | John Stewart (CNN) |
| 9 | David Brooks (New York Times) |
| 10 | Mark Halperin (Time.com) |

Source: The Telegraph, UK

**Steelmakers agree to lower prices to help the government cool inflation**

STEEL

# Prices Bend

THE STEEL AUTHORITY of India (SAIL) and other Indian steelmakers have agreed to lower prices for a second time since April to help the government cool inflation, which is at its highest in nearly three years.

Companies will cut prices by as much as Rs 4,000 a metric tonne, S.K. Roongta, chairman of SAIL, the nation's second-biggest producer, told reporters in New Delhi after producers met Prime Minister Manmohan Singh. Bars and rods will become cheaper by Rs 2,000 a tonne.

The government persuaded steelmakers last month to hold product prices for four months to help combat inflation.

Profit margin may narrow substantially this year if companies cannot pass on record iron ore and coal costs, Sajjan Jindal, managing director of JSW Steel, the third-biggest, said this week. Prices will not change for three months, Roongta said.

*Bloomberg*

PRIVATE EQUITY

# More Deals, More Heads

**PE shops sniff around for fresh talent as they increase their footprint**

GLOBAL PRIVATE equity (PE) firms keep on pursuing big and small Indian companies even as a meltdown continues in their home markets.

This year, between January and April, PE has struck 156 deals worth $5 billion in India compared to 136 deals of $3.4 billion last year, according to data collated by Grant Thornton (see table).

As the deal flow is likely to increase this year (see 'Deal Street On Course', *BW*, 24 March 2008) and the deal size per transaction may become bigger as has been borne by the numbers so far, PE shops are sniffing around for fresh talent as they increase their footprint here.

Amit Chandra, former managing director of DSP Merrill Lynch in India, has reportedly joined Bain Capital. Carlyle has hired D.J. Singh, an M&A expert who was with Citigroup, while it is learnt that Ernst & Young's regional director for transaction advisory services, R. Venkatesh, has joined Temasek.

And big-bulge firms are not just wooing bankers. PE is also on the hunt for resources from manufacturing as they need managers to value-add to their portfolio companies.

For instance, some senior managers from consumer goods major Hindustan Unilever have joined PE shops.

"As PE deals go up in the region this year, funds need to hire more managers not just to identify targets to invest in but also to bring in fresh expertise into the companies that they have acquired stakes in," says Harish H.V., Grant Thornton's partner for corporate advisory services.

Clearly, the Indian PE market is going to witness a lot of action.

*Piya Singh*

## A Great Deal

| | 2007 | | 2008 | |
|---|---|---|---|---|
| PE deals | Value ($m) | Volume | Value ($m) | Volume |
| Jan | 1,533.17 | 52 | 1,697.11 | 62 |
| Feb | 525.69 | 17 | 1,478.31 | 27 |
| Mar | 924.16 | 43 | 1,205.77 | 35 |
| Apr | 435.70 | 24 | 562.85 | 32 |
| Total | 3,418.73 | 136 | 4,944.04 | 156 |

Source: Grant Thornton

MEDIA

# One More Launch

**The Viacom-TV18 team is muscling into a very crowded space**

VROOMING ONTO stage on a mobike after smashing through a glass wall and following up by draping a python around his neck, Bollywood actor Akshay Kumar unveiled the new Hindi general entertainment channel — Colors — from Viacom18 in Bangkok. Viacom18 CEO Rajesh Kamat conceded launching the 10th Hindi entertainment channel was adding to the clutter.

Launching 'Colors' in Bangkok with pythons and Bollywood celebs is one way of creating media mindspace. Expensive, too, but considering 60 per cent of advertising spends on television go into Hindi entertainment channels, the Viacom-TV18 team is muscling into a very crowded space.

*Gurbir Singh*

*Travel for the story was sponsored by Viacom18*

Global

## BIZ

**iPhone's in India**

**UK-based Vodafone has won the rights to sell Apple's iPhone in 10 countries including India. The other markets are Australia, the Czech Republic, Egypt, Greece, Italy, Portugal, New Zealand, South Africa and Turkey. The popular multi-purpose device, though not officially launched in India, has been available in the grey market for Rs 24,000-30,000.**

**14** billion dollars: The net loss reported by UBS on 7 May 2008

For details contact us at: Ballarpur Industries Limited, First India Place, Tower C, Mehrauli-Gurgaon Road, Gurgaon-122002 (Haryana), India. Ph: (+) 91-124-4099 270/80, 2804 242/3. Fax: (+) 91-124-2389 495, 2560 029/30. E-mail: info@biltpaper.com. Website: www.biltpaper.com.

# Fianchetto

The week's strategic moves and the movers who made them

BLOOMBERG

**Siemens' India push**

Europe's largest engineering conglomerate Siemens is buttressing its manufacturing capacity in India.

The company has announced it plans to set up a manufacturing plant in Andhra Pradesh. The company already has 17 plants and more than 500 distribution partners across India.

The new unit will have the capacity to manufacture 150 MW steam turbines and 20 MW to 500 MW generators.

**Toshiba gets going in India**

Tokyo-based Toshiba Corp. has joined hands with JSW Group to manufacture and market steam turbines and generators for thermal power plants in India. Both firms will invest $250 million in plant and manufacturing equipment.

With this, the Japanese company — which won a contract to supply five large super-critical steam turbines and generators to Tata Power — will get a stronger foothold in the Indian thermal market for power generation.

**Exit strategy**

Chennai-based Murugappa group has announced that it is exiting the sanitaryware business following its group company EID Parry (India)'s decision to sell its 47 per cent stake to the latter's partner Roca Sanitoria of Spain.

**Total buy-out**

Haldia Petrochemicals (HPL) has acquired 51 per cent stake in Larsen & Toubro's joint venture company HPL Cogeneration (HPLCL), which supplies power and steam exclusively to HPL.

The deal is valued at Rs 180 crore. With this, HPLCL will become a 100 per cent subsidiary of HPL. According to the initial agreement, HPL could buy out L&T's stake in 2020 at a suitable price. However, both parties decided to go ahead with a buy-out now.

**NDTV's filmy plans**

NDTV Imagine, the entertainment arm of Prannoy Roy-led NDTV group, will soon enter movie production. The company has already tied up with Excel Home Videos for home videos and talks are on for PVR Cinemas for theatrical release.

DEALTRACKER

## BW-THOMSON REUTERS M&A TRACKER

**April-May** The Asian M&A market saw 2,282 deals worth $106.75 billion as on 5 May 2008. China emerged as the largest market in the region with 787 deals worth $21.57 billion.

Top Indian deals

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| Esmark Inc. | US | Essar Steel Holdings | India | 1,118.16 |
| Parryware Roca | India | Roca Sanitario | Spain | 174.35 |
| Regulus Group | US | 3i Infotech | India | 100.00 |
| Hindustan Oil Exploration | India | ENI SpA | Italy | 94.07 |
| Dabur Pharma | India | Fresenius SE | Germany | 60.44 |
| Jam Session Holdings Srl-Guru | Italy | Bombay Rayon Fashions | India | 51.60 |
| Bolix | Poland | Berger Paints (India) | India | 38.60 |
| Sagitas | Switzerland | Satyam Computer Services | India | 35.50 |
| Bengal Aerotropolis Projects | India | Singapore Changi Intl Airport | Singapore | 26.00 |
| Kirloskar Oil Engines-Valves | India | Eaton Industrial Systems | India | 22.28 |

Figures for 20 April-3 May 2008

Top Asian markets

Figures for 1 January-5 May 2008

BLOOMBERG

**Free acquisition**
Texas-based Freescale Semiconductor has acquired Mumbai's SigmaTel Inc for $110 million. The acquisition will help the US company buttress its position in the Indian consumer electronics market. As per the merger plan, Freescale will employ the Indian company's staff in its engineering, marketing and sales wings all around the world.

**Friendly partnership**
Mumbai-based software service provider Tech Mahindra has entered into an IT partnership with FRiENDi mobile, the first mobile virtual network operator in the Middle East and North Africa region.

As per the agreement, Tech Mahindra will design and develop all components of telecom software for executing business strategy across the region. This will include ERP business process automation systems, reporting and Web self-care systems using low-cost technology.

**Insurance tie-up**
Oriental Insurance Co. and MyTVS, the customer-centric car services business division of TVS & Sons, have launched a product that will provide emergency roadside assistance to passenger car policy holders. This would help Oriental Insurance expand its service to policy holders across country.

**Iffco's Aussie drive**
New Delhi-based cooperative major Iffco has partnered with Australia's Legend International Holdings for a project to receive assured supply of about 3 million tonnes of rock phosphate annually. IFFCO and Legend Intl have decided to pursue the Lady Annie project in Queensland, Australia, from where the fertiliser major wants to source the concentrated rock phosphate with a joint investment of about $800 million.

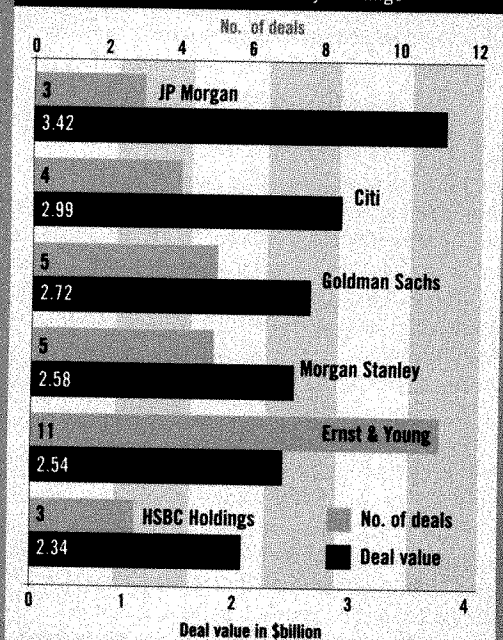
**GMR in Instanbul**
GMR Infrastructure has taken over the facilities of the Sabiha Gokcen airport in Istanbul, Turkey. This makes GMR the first Indian company to operate an airport abroad.

The project is to expand the capacity from the current 3 million passengers to 15 million.

GMR in consortium with Turkey-based Limak Holdings and Malaysia Airports Holdings Berhad has the operating lease to develop and modernise the Istanbul airport.

SANJITHA RAO CHAINI

## India financial advisory rankings




Figures for 1 January-5 May 2008

## Top Asian deals

| TARGET | TARGET NATION | ACQUIRER | ACQUIRER NATION | DEAL SIZE ($M) |
|---|---|---|---|---|
| TM International | Malaysia | Shareholders, non-US investors | UK | 1,1546.31 |
| Esmark Inc. | US | Essar Steel Holdings | Mauritius | 1,118.16 |
| SinoSing Power | Singapore | Huaneng Power Intl Inc. | China | 985.00 |
| Vector-Wellington Elec Network | New Zealand | Cheung Kong Infrastructure | Hong Kong | 616.46 |
| Shanghai Gaoyuan Ppty (Grp) Co. | China | Sichuan Direction | China | 407.67 |
| Parkway Holdings | Singapore | Khazanah Nasional | Malaysia | 391.91 |
| China Oriental Group Co. | Hong Kong | Investor Group | Netherlands | 379.04 |
| Donghae Pulp Co. | South Korea | Investor Group | South Korea | 310.43 |
| Lite-On Tech Corp-Monitor Bus | Taiwan | Wistron Corp. | Taiwan | 302.60 |
| SBS Holdings Co. | South Korea | Taeyoung Engg & Cons. | South Korea | 297.75 |

Figures for 20 April-3 May 2008

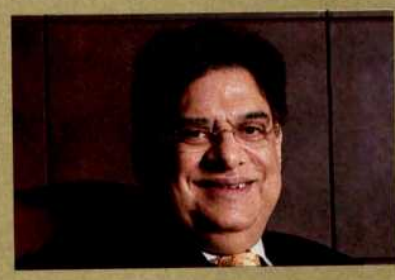
Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently-held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date. League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Log on to www.businessworld.in for the complete list

# Quick Take

# Should the government raise food subsidies to protect the poor from price rises?

**We asked...** Parth J. Shah, Founder and President, Centre for Civil Society; Nagesh Kumar, Director-General, Research and Information Systems for Developing Countries; Ashok Kapur, Group Chairman, Krishna Maruti; Mohan Guruswamy, Chairman, Centre for Policy Alternatives; Surinder Kapur, Chairman, Sona Group; Amita V. Joseph, Director and Legal Advisor, Business and Community Foundation; Srickant Rajagopal, Assistant Vice-President, SSKI Corporate Finance; Surabhi Mittal, Senior Fellow, Indian Council for Research on International Economic Relations



"It is the government's duty to make sure the poor are protected from high food prices."

**Amita V. Joseph, Director, Business and Community Foundation**

"A crisis requires the government to innovate, and not resort to just raising subsidies."

**Surinder Kapur, Chairman, Sona Group**

"Some input subsidies are OK, but the focus should be on infrastructure development in agriculture."

**Surabhi Mittal, Senior Fellow, ICRIER**

## Yes 50%

**YES BECAUSE:** High food prices and the resulting unrest among the lower economic classes across the globe have become a source of major concern for the Indian government of late. Although the spike in food prices in India is not as severe as it is in some of the other Asian countries, such as Indonesia and the Philippines, and it is yet to see any major signs of unrest amongst the people, it can't be denied that an imminent food crisis is staring India in the face. Given such a scenario, some of our respondents believed that even though the current crisis is a global phenomenon, the government can play its part in pushing down food prices by raising food subsidies or providing direct cash transfers to the lower economic sections of the population.

## No 37%

**NO BECAUSE:** Economists, analysts and policy makers have given a plethora of reasons for the spiralling food prices ranging from higher demand owing to better living standards in Asian countries to the consecutive droughts in Australia, which have dramatically affected the global foodgrain supply. In India's case, a popular argument made by many, including *BW*, has been that India needs another Green Revolution if it wants to survive the current food crisis. Some of our respondents, too, believed that the most important thing India needs at the moment is infrastructural development in agriculture aimed at improving productivity. Improving or expanding the public distribution system, which has repeatedly been blamed for leakages causing huge losses of foodgrains, is another option, according to some.

## Maybe 13%

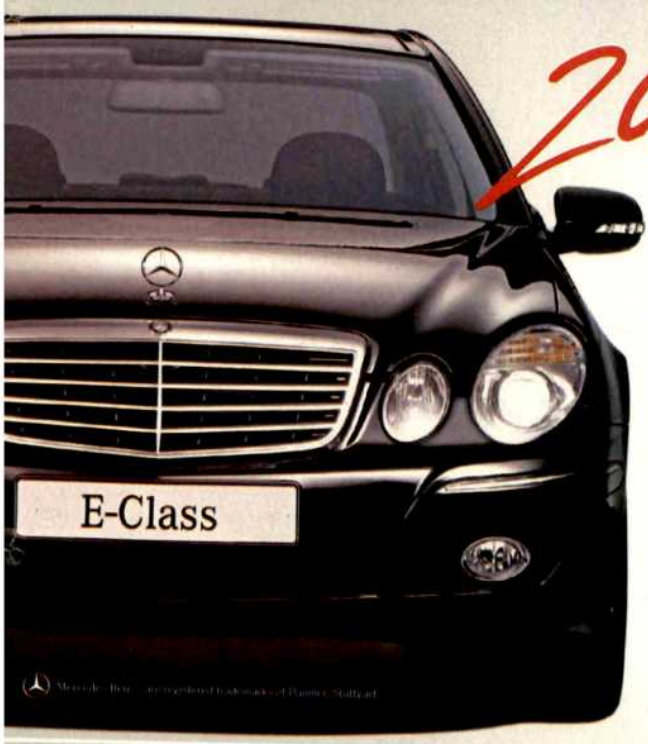
**MAYBE BECAUSE:** While the prospect of raising food subsidies may seem noble as well as inevitable considering it will offer immediate redemption for the poor from soaring food prices, long-term measures — improving the state of infrastructure in agriculture, ensuring remunerative prices for farmers, improving the public distribution system and plugging the leakages — are needed while also reducing the huge margins food traders often enjoy. This was the opinion shared by some of our respondents. They felt that it is imperative that people living below the poverty line, who constitute almost 30 per cent of the country's population, be insulated from food price rises. But they also agreed that it may be a stop gap solution, and will provide no long-term salvation.

# Pioneers with the determination to lead.

Being a pioneer is not for the weak spirited. It requires the kind of conviction and emphasis on achieving excellence that bespeaks character. At Mercedes-Benz, we wouldn't have it any other way. Mercedes-Benz rolled out its 20,000th car from the Indian plant and delivered its 10,000th E-Class on Indian roads.This milestone is yet another testament to our determination to maintain leadership. And proof that when it comes to performance, luxury, safety and technology, Mercedes-Benz is the chosen way to travel. We're celebrating this fact and the journey that has brought us this far, with an exciting offer for you, our discerning customer. May we therefore, persuade you to know more about the commemorative offer? We promise you, it will be a truly unforgettable drive.

Special commemorative offer on the E-Class*
Contact your nearest dealer to E-xperience the E-xcitement

Mercedes-Benz




20,000 CARS Produced

10,000 E-Class Delivered

**Mercedes-Benz Customer Assistance Centre:** Sector I5-A, Chikhali, Pimpri, Pune - 411 018. Tel: (020) 2750 5325/2750 5326. e-mail: dccac1@daimler.com website : **www.mercedes-benz.co.in.**

**North & East:**
Chandigarh: Tai - Pan Traders Ltd. : (0172) 5077775
Delhi: T&T Motors Ltd. : (011) 26821005.
Kolkata: Interkrafts : (033) 24483894
Ludhiana: Tai - Pan Traders Ltd. : (0161) 5086333

**West:**
Ahmedabad: Cama Motors Pvt. Ltd. : (079) 25505281
Mumbai: Auto Hangar (India) Pvt. Ltd. : (022) 66123800,
Sanghi Motorcar Co.: (022) 23842244
Pune: Millennium Motors Pvt. Ltd. : (020) 66085750

**South:**
Bangalore: Sundaram Motors : (080) 22070720
Chennai: Trans Car India Pvt. Ltd. : (044) 24324141
Cochin: Rajasree Motors Pvt. Ltd. : (0484) 2706432
Coimbatore: Sundaram Motors : (0422) 2452020
Hyderabad: Adishwar Auto Diagnostics Pvt. Ltd.:
Mahavir Motors: (040) 66668008

**It is our constant endeavor to be in touch with our esteemed customers. In case you are a Mercedes-Benz customer, we request you to kindly update us with your current contact details: name, address, telephone number, mobile number and e-mail id to dccac1@daimler.com**

Accessories, colours and fitments shown may not be part of standard specification. Mercedes-Benz cars: series W211 meet Bharat Stage III emission norms. *Conditions apply.

# The Annual Homily

**by ashok v. desai**

THE PRIME MINISTER CAN BE DEPENDED ON TO give good, avuncular advice; and he varies it according to the flavour of the season. Speaking at the annual general meeting of the Confederation of Indian Industry (CII) last year, he had asked the rich industrialists to save more and consume less. In support, he had quoted John Maynard Keynes, his favourite author whom he has read with much attention. In his *Economic Consequences of the Peace*, Keynes wrote about the entrepreneurs who created the industrial revolution in the 19th century: "But like bees (these captains of industry) saved and accumulated, not less to the advantage of the whole community... (they) were allowed to call the best part of the cake theirs and were theoretically free to consume it, on the tacit underlying condition that they consumed very little of it in practice. The duty of "saving" became nine-tenths of virtue and the growth of the cake the object of true religion." The lesson the Prime Minister drew was: "The time has come for the better off sections of our society — not just in organised industry but in all walks of life — to understand the need to make our growth process more inclusive; to eschew conspicuous consumption; to save more and waste less; to care for those who are less privileged and less well off; to be role models of probity, moderation and charity."

**Rather than admit things undone, it is best to brazen it out and brag about things done — for vote banks**

This year, when he addressed the CII, he noted the rising spectre of inflation. It would have made his last year's homily, that industrialists should spend less and save more, even more relevant. And this year too he called for sobriety in corporate lifestyles. The industrialists did not remind him, but not just they, it was as much his duty to save and waste not, for as he said, sound macroeconomic management was the primary responsibility of the government. So the government should have given leadership in cutting down wasteful expenditure and reducing its obscenely high fiscal deficit. But then, homilies are meant for others, not for oneself. Rather than admit things undone, it is best to brazen it out and brag about things done — for vote banks. And it behoves the Prime Minister of a great country to blame the rest of the world for thrusting the food and fuel problems on India, and not giving it a chance to perform in the theatre of nations.

However, the Prime Minister's great theme this year was education, on which the government has increased expenditure. As the finance minister might have gently reminded him, outlay does not mean outcome. Sometimes one would be justified to think that the government's outlays are not intended to have outcomes. To spend millions on new IITs in the most backward corners of India, where no good teacher would want to go, is not particularly intelligent; to spend on more schools without making government teachers turn up to teach is not particularly effective. But then, such small deficiencies are not worth the Prime Minister's attention; for him, only the global canvas matters.

Skills matter, and there is no doubt that the country has run out of employable educated workers in many areas. Information technology and business process outsourcing are the best-known examples. But these are the highest-paying sectors; if they are suffering from labour shortage, the plight of other sectors is even worse. Seventeen years of the Manmohan Singh boom have created so much employment that the country has run out of labour. The worst sufferer is agriculture; its rising wage costs are one of the most important reasons for rising prices.

So it was not very responsible of the Prime Minister to call for labour-absorbing private investment. The private sector is looking for labour to absorb, but it cannot find it, especially because the government has, in its infinite wisdom, engaged millions to break stones and given them a hundred days' wages in a year. The National Rural Employment Guarantee is an excellent programme, but it has come two decades too late.

If, today, the Prime Minister wants more inclusive growth, he should invest in strengthening the skill base and increasing the productivity of the poorest workers. What we need is not engineering colleges; if we need them, the private sector is perfectly capable of creating them. What we need is agricultural schools where workers can learn the basics of agricultural technology, pick up how to operate agricultural machinery, and become more productive. The private sector will not impart those skills because no employer can be sure of retaining a worker whom he trains. This is the government's job; the government should learn to do it.

---

The author is Consultant Editor of *Businessworld*
*ashok.desai@gmail.com*

futurebrands

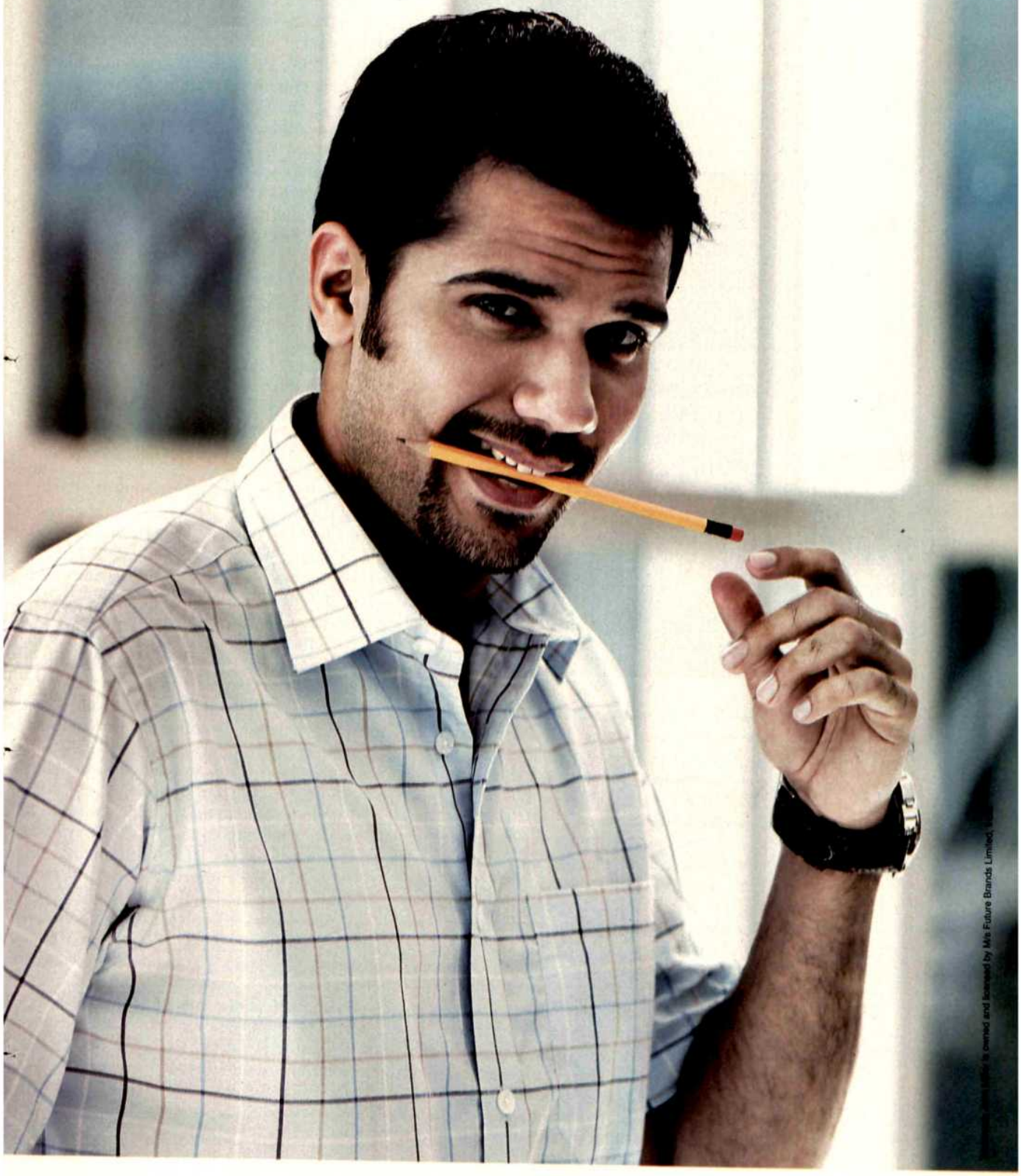
# GOOD LOOKING RASCAL

Summer might make you break into a sweat, but not this guy. He keeps his cool with the latest summer collection and never gets hot under the collar. John Miller salutes the good looking rascal.

JOHN MILLER
*Executive Attire*

Make it look easy

Shirts | Trousers | Suits | Jackets | Ties



Available at: | pantaloons FRESH FASHION | CENTRAL SHOP. EAT. CELEBRATE. |

# A Bitter Pill To Swallow

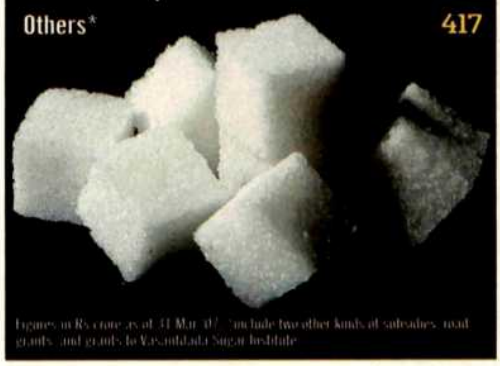
**by Rajesh Gajra**

**Maharashtra sugar co-operatives are in deep trouble**

## PAMPERED?

Sugar co-operatives are the beneficiaries of big dole-outs by the Maharashtra govt.

| | |
|---|---|
| Share capital contribution | 875 |
| Loans | 845 |
| Subsidies for less sugar recovery and transport | 242 |
| Remission of purchase tax | 210 |
| Others* | 417 |



Figures in Rs crore as at 31 Mar '07. *include two other kinds of subsidies, stand grants and grants to Vasantdada Sugar Institute

AMIT VERMA

WHAT ATTRACTS MAHARASHTRA'S POLITICIANS TO the sugarcane industry? Is it the sweetness of the product or the sweet deals struck by the state government ministers and MLAs, who are directly or indirectly involved in most of the sugar factories? It is generally believed that Maharashtra's sugar lobby receives the highest state funding, and is among the most politicised in the country. It is estimated that the state's sugar factories — 202 co-operatives and 22 private ones as of March 2006 — contribute 36 per cent to the total sugar production in India.

Till last month, no authoritative figures were available on Maharashtra's sugar factories — particularly the co-operatives that are processing societies under the Maharashtra Co-operative Societies Act, 1960 (MCS Act). But on 25 April, the Bombay office of the Comptroller and Auditor General of India (CAG) released a special audit report on the co-operatives. The CAG is a constitutional body that normally audits the accounts of the central and the state governments. Occasionally, it takes up special audits; the Maharashtra sugar factories' audit is perhaps a unique one, since it involved a politically-sensitive sector.

At a press conference on 25 April, Malashri Prasad, the principal accountant general for Maharashtra, said they couldn't but take seriously the fact that despite receiving a large amount of government funds, of 139 co-operative sugar factories (CSFs) whose working results were available, 116 CSFs were incurring losses, of which 74 registered negative net worth as of June 2006 and 31 had to be brought under liquidation during 1987-2006.

The CAG audit was done between March and September 2007 on a sample of 32 CSFs for the period 2001 to 2006. In its sample list, 22 CSFs were fully working, five were under liquidation, three were under construction and two were 'deleted from pipeline'. The outstanding dues of the 22 working CSFs for 2005-06 were found to be quite high — Rs 2,658 crore — and included loans repayable to the state government and the central government's Sugar Development Fund and others, and also dues payable to suppliers and creditors. The state government's response was that the industry was facing problems and the CSFs had not earned net surpluses.

The CAG report also listed several financial irregularities in the sample CSFs. For instance, the annual accounts of CSFs had not been finalised up to 19 months beyond the due dates. In 21 CSFs, the cost of converting sugarcane to sugar was more than the standard cost.

Loans that the state government gave CSFs were being diverted. A total of Rs 319 crore of loans meant for payment of cane arrears for 2002-03 were used for clearing previous loans and other purposes, all of which were in violation of the central government rules. Funds borrowed from banks to make advance payment to harvesting and transport contractors were not recovered to the tune of Rs 23 crore as of March 2006 and a sum of Rs 92 crore that was recovered was not repaid to the banks.

The costs to the authorities spiral. The state government stood as a guarantor to 172 CSFs' loans worth Rs 3,557 crore including interest. Banks had invoked Rs 147 crore worth of such loans and the CSFs owed the state government Rs 563 crore in guarantees including interest.

When the report is uploaded on CAG's website, the tax-paying citizens can read the names of the political heavyweights — BJP leader Gopinath Munde's is a prominent one — that appear in the first appendix of details of the 32 CSFs that were checked.

*rajesh.gajra@abp.in*

# 2008 isn't much different from 2002.

Or from 2003, 2004, 2005, 2006 and most certainly not 2007.

According to IRS 2008 R1, Dainik Jagran is the most widely read newspaper in India yet again. 5.66 crore readers at last count. And still counting.

**Dainik Jagran**

**No.1**

10th TIME RUNNING

IRS 2008 R1 - 5.66 crore readers

McCann/DJ/030/08

# Who's To Blame?

**by P. Hari in San Francisco**

BLOOMBERG

**MEDICINE MENACE:** Randy and Bonnie Hubley were amongst the victims of the Chinese contaminant in the heparin drug

HEPARIN IS A TYPE OF CARBOHYDRATE MOLECULE indispensable to most life forms. No one knows its precise biological role. It is thought to be involved in defence mechanisms at sites of injury. However, modern medicine uses it for a completely different purpose: as a blood thinner and anticoagulant. It is a life saver in many situations, but not for some unfortunate people in the US recently. About 80 of them died after being given heparin from a particular manufacturer, and the issue has snowballed into a major controversy involving China, with possible repercussions for India.

**The heparin case could have repercussions for Indian firms**

The heparin given to these patients, manufactured by Illinois-based Baxter International, had a contaminant. Baxter had sourced the drug intermediates from China. Following research at the Massachusetts Institute of Technology (MIT), it turns out that the contaminant is a molecule that mimics heparin in tests. "It is difficult to detect this molecule by routine methods," says Ram Sasisekharan, a professor at MIT who has developed a new method to screen for this compound. Baxter now says that the contaminant was added deliberately at some stage. Since a large number of US companies source drug intermediates from China and India, attention has quickly turned to the quality of manufacturing in these countries.

It is clear that low cost was one of the reasons for adding the contaminant. The Chinese company from which Baxter sourced the intermediate may have added the offending active ingredient because it wanted to keep costs down. The Chinese firm may not have realised the consequences of its actions. However, the focus in the US now is not on the Chinese firm as much as the regulator, the Food and Drug Administration (FDA). The FDA had planned to inspect the Chinese facility but did not do so. It inspects facilities in the US randomly, but inspects very few foreign facilities. "FDA cannot inspect foreign facilities randomly," says William Schwieterman, a rheumatologist who had worked at FDA for 10 years, overseeing the regulation of biologics. "There has to be an agreement between the two organisations first."

Random or not, FDA finds it difficult to inspect foreign manufacturing facilities as their number has risen rapidly in recent times. There are at least 4,000 foreign manufacturers that export active drug ingredients to the US. In the past five years, only 12.5 per cent of FDA inspections were in foreign countries. The funding for FDA has not increased as its responsibilities have increased, and the organisation regards regulating and approving new drugs as more important than inspecting foreign manufacturing facilities.

According to a report by the Government Accountability Office (GAO), the number of FDA employees who carry out inspections has decreased by 25 per cent in the past five years. During hearings on the issue, the Congress severely criticised FDA for not doing its job. There is a draft bill now in the Congress seeking to charge foreign facilities for each FDA inspection. This is expected to help FDA reduce its expenditure.

Indian firms may shrug this off as China's problem, but during hearings, India does get mentioned in the same breath as China. The problem of contamination is higher in biologics such as heparin, and Chinese companies make far more biologics than India. However, this situation may not last for long. Says Mukund Chorghade, a pharma consultant near Boston who specialises in collaborations with Indian companies, "A large number of pharma and biotech companies are now interested in manufacturing biologicals out of India." India now has the largest number of FDA certified facilities outside the US. But that may not save Indian companies from close US scrutiny.

*p.hari@abp.in*

# Getting Trampled

**by BW Bureau**

**The consumer is the biggest loser in inter-company feuds**

LAST SATURDAY WOULD HAVE BEEN A PARTICULARLY bad time for anyone using a fixed wireless phone (FWP) from Tata Teleservices or Reliance Communications to have had a heart attack. Sources claim that in eight telecom circles, their calls to other phone numbers on the Bharat Sanchar Nigam (BSNL) network would not have gone through — simply because the state-owned company had arbitrarily switched off its interconnects with Tata's and Reliance's FWPs.

BSNL's alleged move put "consumers at the receiving end" of its corporate battle with the two private players, says Kapil Kumar, a telecom analyst. The problem started in the late 1990s when Tata and Reliance were prevented by a series of policies from easily offering mobile phone services. They then offered callers FWPs through 'limited mobility' — giving consumers phone instruments that were meant to serve as landline but which used CDMA mobile phone technology and could be carried around.

BSNL protested Tatas' 'Walky' and Reliance's 'Hello' FWPs saying they violated telecom licensing norms. It wanted to disconnect FWPs from its network, but the courts gave an interim stay. Then, on 5 May, the Supreme Court ruled in its favour, and ordered Tatas and Reliance to pay a fee for violating their telecom licence conditions. The court also upheld an order of the Telecom Dispute Appellate Tribunal (TDSAT) allowing BSNL to disconnect its phones from the two companies if they did not pay up the fine.

As soon as the court ruled, sources say Tatas and Reliance began work on settling the issue. The court had left the exact fine amount to TDSAT to decide. Other details, such as ascertaining the number of FWP subscribers, were also to be sorted out. Till date both companies have not submitted a list of their FWP customers.

But just four days after the ruling, BSNL arbitrarily cut its interconnections with Walky and Hello phones "without so much as a notice", a source said. While BSNL may have been within its rights, the source admits, cutting consumers off from an essential service over legal disputes is just not kosher. After Tatas and Reliance protested, saner actors in New Delhi, including Telecom Minister A. Raja, got BSNL to reverse its move on Monday, sources said.

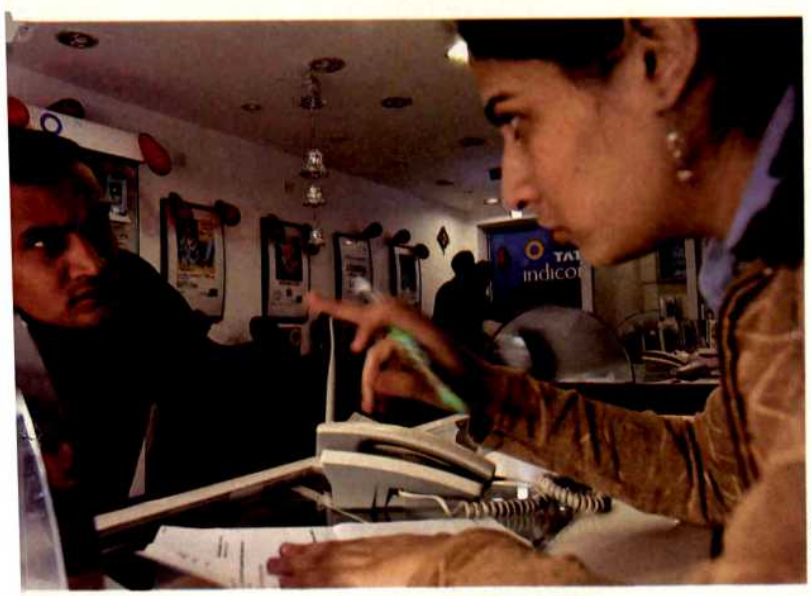
BSNL refuted cutting the interconnections. "Point of Interconnection to M/s Tata and M/s Reliance are working normally after the announcement of judgment from Supreme Court regarding payments to BSNL," BSNL said in an e-mail reply when asked about the problem.

Tata and Reliance executives have remained silent on the issue. "BSNL is so insecure and oversensitive. Why provoke them with comments when the issue is over?" a source said.

Of course, the matter of how a state-owned company disrupted an essential service because of an inter-company commercial dispute still remains. P. Venkatesan, director of Department of Consumer Affairs, Ministry of Consumer Affairs, defends BSNL. "The consumer pays to the operator for the service rendered from the operator; they should take care of legal issues of operations. BSNL cannot be held responsible ethically or legally if it has snapped connections."

Why was BSNL in such a hurry to cut off the interconnections? If the move was defendable, why did it restore the connections later? "(Cutting interconnection) is not new and is used as an arm-twisting tactic by all operators as and when needed," says a senior technical executive with a telecom company.

The underlying problem is that BSNL's interconnect agreements with private operators give the PSU sweeping power to cut interconnections. This issue is also in the courts. BSNL has also arbitrarily disconnected Reliance phones in the past, and it took Trai's intervention to restore the connections. If BSNL did the same last week, it would underline how the company has still not learned how to respect consumers.



AMIT VERMA

**DISCONNECT WITH CUSTOMERS:** Cutting interconnections is often used as an arm-twisting technique by telecom operators

# Food For Thought

**by nayan chanda**

SKY-ROCKETING FOOD PRICES HAVE FINALLY dampened the enthusiasm of using food crops to drive cars. But in Europe a new fad is catching on to save the environment: labelling imported food so that consumers can choose local food, which requires less transportation and, thus, supposedly less consumption of fossil fuels. In reality, it might end up hurting the world's poor without making any dent on global warming.

**Misguided environmental choice, while being of little use, will hit poor farmers in developing countries**

Just as rising energy prices and concern over climate change once led to a stampede to turn food crops into biofuel, neo-nationalism and environmentalism are now pushing European businesses to adopt quick fixes like slapping labels indicating foreign origin or the carbon costs of the produce.

The British supermarket giant Tesco, which last year sought to pacify environmentalists by putting 'air freighted' labels on imported fresh fruit and vegetables, has just launched a new campaign of 'carbon labelling' grocery items that would supposedly reveal how much carbon is released in their production, transport and consumption. Although environmental science experts have difficulty agreeing how to calculate the total carbon cost of a product, Tesco has jumped on to the green-market wagon. The onus is now on shoppers to save the world by checking the emission costs of products in the same way they might the caloric content listed on cereal boxes. Carbon labelling will become another tool in the hands of protectionists.

Tesco has been one of the earliest to warm to the environmental slogan about curbing the food mile — the distance food has to travel from the farm to the dinner table — by slapping airplane icon stickers on imported food. The label is supposed to warn consumers that eating foreign imports such as green beans from Kenya is tantamount to increasing global warming. Such simplistic analysis ignores the much higher carbon emissions resulting from growing the same vegetables in Europe's greenhouses, using chemical fertilisers or keeping them in cold storage for months. And the gain? The boycott of air-freighted African produce, according to an estimate, would cut Britain's total emissions by less than 0.1 per cent. The net result of such a misguided environmental choice would be to deny poor farmers in developing countries the benefits of globalisation while increasing rather than curbing global warming.

For over a century, since the arrival of refrigerated ships, Britain has imported fresh food, improving the island's diet while providing new opportunities to farmers abroad. Queen Victoria dined on the first consignment of frozen Australian lamb to arrive in London in 1880. Thanks to the liberalisation of trade and falling air-freight costs, the world's non-traditional food producers have found ways to access the world market. The availability of fresh fruit from the tropics during the northern hemisphere's winter offered a healthier and cheaper alternative. Since 1996, the total export value of fresh fruits worldwide has more than doubled to $11 billion in 2003. Rising health consciousness and the facility to ship fresh vegetables to Europe the same day have allowed farmers in sub-Saharan Africa to join the world supply chain. Burgeoning horticultural trade has opened new avenues to farmers in Asia and South America as well. Traditional methods of farming with organic fertiliser and non-mechanised irrigation not only produced agricultural products that address the West's environmental concerns, but also provide jobs to people who would otherwise be left out of the globalised network.

Although rising CO2 emission from increased global freight demands attention, an airplane sticker on a packet of beans is hardly a solution. Other factors such as cold storage, green houses, high-energy production cost also need to be worked into calculation of carbon footprint. A policy that focuses exclusively or mainly on the transport content to calculate a product's carbon footprint and, thus, privileges local over imported items helps neither the climate nor the producers or consumers. There has to be an agreed framework to calculate the lifetime carbon costs of a product — from the seed to the dining table — before poor farmers are denied their paltry gains by the very countries whose industrialisation is responsible for build-up in the stock of greenhouse gases in the atmosphere.

These feel-good policies will likely fail to reduce carbon emissions substantially while delivering a blow to those with the smallest of carbon footprints.

The author is Director of Publications at the Yale Center for the Study of Globalization and Editor of *YaleGlobal Online*.
*boundtogether.bw@gmail.com*

# SOME DETAILS SHOULD NEVER SLIP OUT DURING MEETINGS

And now, they never will. Because you have the all-new Coupe, from VIP.

It's a twin-section strolly that lets you store both your business and personal items separately. So that you'll never have to worry about revealing your personal secrets to anyone. It also has a detachable laptop sleeve which stores and protects your laptop. And organised pockets for your folders, cables and wires.

V.I.P

C|O|U|P|E

TWIN-SECTION STROLLYS

Available in select cities

# Slide Show

by Rajeev Dubey with Team BW

**Despite talk of a boom in India, small industries are getting drawn into the vortex of a slowdown**

A SENSE OF SMUGNESS envelops many in the corporate world. With company revenues rising about 40 per cent, annual salary hikes hovering at around 30 per cent and the GDP growing at between 8 per cent and 10 per cent over the past three years, many business executives (and politicians) talk of the economy as a world where nothing can really go wrong. Even the global downturn of the past six months is failing to seriously dent this positive sentiment. Despite Wall Street being in the midst of a meltdown, Dalal Street, after initial hiccups, is humming along.

But beneath this euphoria, the 3.6 million small and medium enterprises (SMEs) that are the backbone of India's economic engine are waging a treacherous battle against inflated raw material, land, labour and power prices, appreciation in the rupee, and, in some cases, imports from China — and often losing. "This is not a good time for small businesses," says Palvinder Singh of Ludhiana's Guruteg Expellers. "High interest rates coupled with rupee appreciation are squeezing our margins more than ever." To understand the challenges rocking small entrepreneurs such as Singh, Team *BW* travelled to 10 of India's major SME centres — Ahmedabad (pharmaceuticals/textiles), Chennai (leather), Coimbatore (textiles/machinery), Gurgaon (auto components), Ichalkaranji (cotton), Ludhiana (engineering), Pune (auto components), Rajkot (engineering/machine tools), Surat/Mumbai (diamonds) and Tirupur (garments). What we found raises some fundamental questions over the extent and sustainability of India's economic boom.

Over the past year, the SMEs we talked with

BLOOMBERG

**EXECUTIVE SUMMARY**

- A strong rupee, costly inputs, lowering capacity, finance crunch and labour worries are eating into the SME sector
- To get out of the current crisis, SMEs must re-examine their business models and their efficiencies — or the lack of them

## What A Fall!

### Index of industrial production (% growth)

| Month | Year | General IIP | Manufacturing | Basic Goods | Capital Goods | Intermediate Goods | Consumer Goods | Durables | Non Durables |
|---|---|---|---|---|---|---|---|---|---|
| Jan | 2007 | 11.6 | 12.3 | 12.0 | 16.3 | 13.7 | 8.2 | 5.3 | 9.1 |
| Feb | 2007 | 11.0 | 12.0 | 10.7 | 18.0 | 13.3 | 7.4 | 1.8 | 9.3 |
| Mar | 2007 | 14.8 | 16.0 | 11.9 | 18.1 | 15.3 | 15.8 | 3.8 | 20.2 |
| Apr | 2007 | 11.3 | 12.4 | 8.6 | 10.9 | 10.6 | 14.7 | 2.4 | 18.7 |
| May | 2007 | 10.6 | 11.3 | 10.3 | 22.4 | 8.8 | 8.7 | -0.7 | 12.1 |
| June | 2007 | 8.9 | 9.7 | 9.2 | 23.1 | 8.6 | 3.6 | -3.6 | 6.3 |
| July | 2007 | 8.3 | 8.8 | 8.7 | 12.3 | 7.7 | 7.1 | -2.7 | 10.5 |
| Aug | 2007 | 10.9 | 10.7 | 12.7 | 30.8 | 13.8 | 0.0 | -6.2 | 2.4 |
| Sept | 2007 | 7.0 | 7.4 | 6.5 | 20.9 | 10.1 | -0.2 | -7.3 | 2.6 |
| Oct | 2007 | 12.2 | 13.8 | 6.5 | 20.9 | 13.9 | 13.7 | 9.0 | 15.8 |
| Nov | 2007 | 5.1 | 5.0 | 5.2 | 24.3 | 5.7 | -2.4 | -4.7 | -1.7 |
| Dec | 2007 | 7.7 | 8.3 | 3.6 | 16.6 | 7.4 | 8.4 | 1.2 | 10.3 |
| Jan | 2008 | 5.3 | 5.9 | 3.5 | 2.1 | 7.0 | 7.0 | -3.1 | 10.1 |

Source: CMIE

**BOGGED DOWN:** A cotton yard at Ichalkaranji in Maharashtra

**JAMMED:** Guruteg Expellers' factory at Ludhiana in Punjab

have seen their business fall by 15-50 per cent. Some of them have had to cut production up to 75 per cent. Commerce Minister Kamal Nath did not respond to *BW*'s request for an interview on this. But the Confederation of Indian Industry's (CII) Deputy Director-General Sarita Nagpal, who also heads its SME cell, says, "I see this only as a temporary problem, not a long-term issue."

Because the downturn is so recent, companies in most places — except in Chennai — have not yet laid off employees. But if this continues for a few quarters, that's the definitive next step. "Of 100 people, five will always die. That won't affect the economy," says Paru Jaykrishna, president of Gujarat Chamber of Commerce & Industry. "Small industries can't cry. They have to manage their own circumstances." But an ailing SME sector could seriously hurt the nation. SMEs currently account for more than 45 per cent of India's industrial production and 40 per cent of exports, and they provide employment to around 30 million people, second only to agriculture. The viability of SMEs directly impacts PSU banks, cooperatives and financial institutions that loan them an average of $13 billion-15 billion every year. Since many SMEs cannot take loans from banks because they do not have the requisite collateral, they rely on private moneylenders. Defaults on such loans could play havoc in the economy.

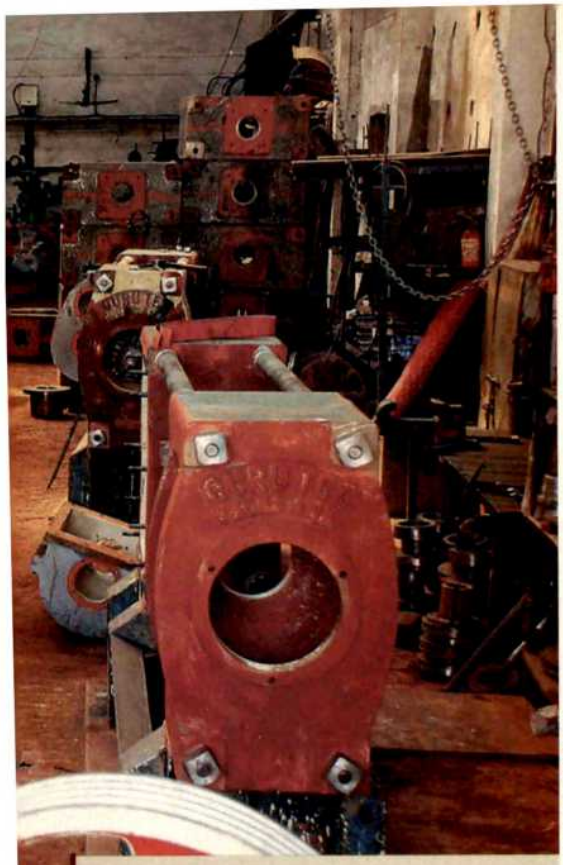
The effect of the trouble with SMEs is already showing up in the economy. India's index of industrial production (IIP) is shrinking rapidly and manufacturing IIP growth is down from 12.3 per cent in January 2007 to 5.9 per cent in January 2008. Growth in basic goods, capital goods, intermediate goods, consumer goods and consumer non-durables has also fallen. Growth of consumer durables has entered negative territory (see 'What A Fall' on page 29).

"If the government doesn't take measures, it will have an impact in the next two quarters," says Yatindra Sharma, chairman of CII's subcommittee on SMEs for the western region. Not everyone agrees. The Centre for Monitoring Indian Economy (CMIE) does not think a slowdown is a possibility. It says it considers the fall in IIP a blip. "This is not of a scale or of a nature that implies that the industrial sector is getting into any slowdown mode," CMIE says in its April review of the industry, which projects that the overall industrial production would grow at an accelerated pace of 10 per cent in 2008-09.

But SMEs have traditionally been the barometer of business cycles. Like the ants and the birds with extra-sensory perception whose behaviour just before earthquakes can warn us of the impending event, SMEs, because of their size and lack of scale, are most vulnerable to the vagaries of peaks and troughs. They are the first to be hit by any economic downturn and the last to gain from it. Between 2003 and 2007, SMEs benefited from the boom in the Indian economy. But now they appear to be at the receiving end of what could be an economic upheaval.

### Dollar Disorder

In the Bhaktinagar industrial area on the outskirts of Rajkot, Ajit Nathwani, CFO of the Rs 25-crore specialised engine-bearings maker Patel Brassworks, briskly walks into his first-floor conference room and cosies into a chair. When he starts work, you know instantly why the office air-conditioner is running full blast and why Nathwani sports a creaseless forehead. Two years ago, Patel Brassworks, which earns 65 per cent of its revenues from exports, had the foresight to switch the currency in which it trades from the dollar to the euro. Since then,



KULDEEP SINGH KALA

## Ludhiana

| | |
|---|---|
| No of units: | 1,500 |
| Annual turnover: | 55,000 cr |
| Loss of business: | 20-35% |
| Capacity utilisation: | 60-90% |

Source: Industry

the dollar has depreciated against the rupee from 48 to around 40 while the euro has appreciated from Rs 52 to Rs 63. Nathwani, who could have been sulking because of a 17 per cent lower realisation had he stayed with the dollar, is now enjoying a 21 per cent higher realisation. "Nobody wants to play with the dollar," says AMA's president Janak Parikh. But, ironically, an estimated 45 per cent of India's trade remains dollar-denominated. As a result, SMEs' net realisation this year is lower than they had projected. Some, such as Ahmedabad-based DEFI Healthcare, did not have a choice. DEFI's clients in Latin America only wanted to trade in dollars. "When we began exports, we went into two-year contracts at Rs 47/$. We never anticipated 15-17 per cent depreciation," says Director & CEO Rahul Maheshwari. But some others have urged their non-American buyers to pay in euros. "We have pushed European and African customers to convert to euro," says C.N. Ashok, director-commercial in Autoprint Machinery Manufacturers. Not every SME exports. And those who export were not always as alert as Ashok or Nathwani. Take the case of Gurcharan Singh who is a partner in a cycle-rim manufacturing company, Swarn Singh & Sons. Singh used to export 20-25 per cent of his output to South African nations. But the rupee appreciation against the dollar has brought down his business by 50 per cent.

It is nearly a year since the rupee has been appreciating and the leather industry in Ranipet, like other exporter sectors, too, is caught in a storm. "It's akin to the George Clooney movie *The Perfect Storm*," says Habib Hussain, chief executive of Chennai-based AV Thomas Leather division. "The first shock came when the rising rupee got established as a trend rather than a short-term aberration," says K. Iliyas, a trader from Ranipet. The US customers were just looking to outsource from India due to cost advantages. In Dinesh Shah's unmarked office on the ground floor of Princess Plaza in Surat's Mini Bazaar, a customer from Durban, South Africa, is closely examining diamonds under a magnifying glass. He finally selects 23 diamonds. "Such customers are fewer these days," says Shah, pointing to the new block of the building. "Eighty per cent of the block is unoccupied. All of them have been bought by diamond traders, but none have occupied." In Surat, the world's diamond-cutting capital in Gujarat, the recent appreciation in the rupee has brought "business down by at least 35-40 per cent", says Dinesh Navadiya, who runs a firm called Tiku Jewels, and is also the vice-president of the Surat Diamond Association. The slump in business has hit ancillary businesses, too. Sanjay Kothari, chairman of Gems and Jewellery Export Promotion Council (GJEPC), estimates that about 150,000 jobs had been lost in the diamond cutting and polishing industry in the past year.

### Manufacturing Mayhem

If rupee appreciation has made exports unattractive, higher raw material prices and Chinese imports have reduced demand of domestic manufacturers, slashing business for SMEs. This is the time when their own inefficiencies have come to hound the small manufacturers. Entrepreneur-run shows have been the worst affected. Those that were not forward-integrated into supplying to a large manufacturer are on the verge of extinction.

Gujarat is home to India's pharmaceutical industry, which largely comprises SMEs. Of the 10,000 pharma units in India, 9,710 are small ones and a majority of these are in Gujarat, mostly in Ahmedabad. One of these is Saarthi

COMING APART: A textile factory at Tirupur in Tamil Nadu

Pharmaceuticals, which makes formulations at Sahtej near Ahmedabad. The company's revenues have crashed from Rs 2.5 crore in 2006-07 to Rs 1 crore in 2007-08.

Similarly, Redson Pharmaceuticals' Director Kalpesh Patel says his business has dropped from Rs 2.5 crore to Rs 1.5 crore in the past 12 months. "At least 20-25 units have shut down and shifted to trading," Patel says. "All SMEs are struggling because of their cost of operations," says Bhagyesh Soneji of a Rs 25-crore pharma exporter, Elegant India. "Profits have halved from 15 per cent to 7-8 per cent."

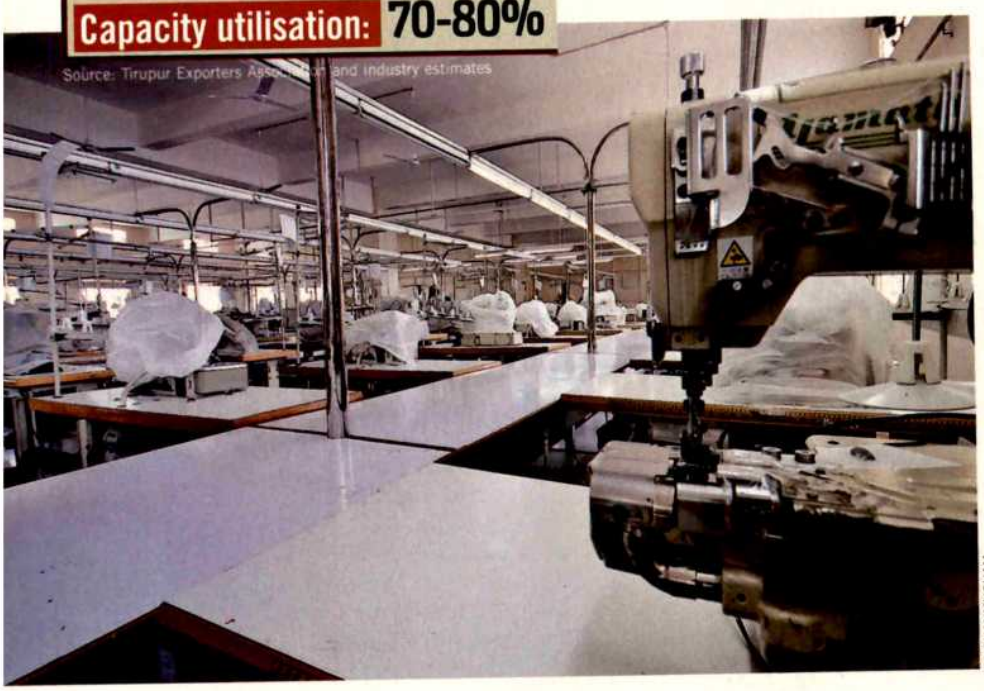
The president of the Rajkot Engineering Association, Bhavesh Patel, runs a small forging operation himself. He says his industrial hometown has seen a 30 per cent drop in its Rs 400-crore machine-tools business, a 30-35 per cent drop in its Rs 1,000-crore foundry, forging and auto parts business, and a 50 per cent drop in its Rs 200-crore diesel-engine business — largely because of iron and steel price increase.

Further south, in Chennai, India's leather capital, the 2,000-odd tanneries around the city that have total revenues of about Rs 24,000 crore a year, are running at just 60 per cent capacity. They have laid off 10,000 of their 200,000 workers (in the past year). Elsewhere in the state, at Vaniyambadi, which has 148 leather units, and Anbur, which has 82 units, tannery owners say profit margins have been squeezed to an all-time low of 3-5 per cent, threatening many units with closure.

**Tirupur**

| | |
|---|---|
| No of units: | 2,500 |
| Annual turnover: | 9,950 cr |
| Loss of business: | 15-25% |
| Capacity utilisation: | 70-80% |

Source: Tirupur Exporters Association and industry estimates



CP SHANMUGHAM

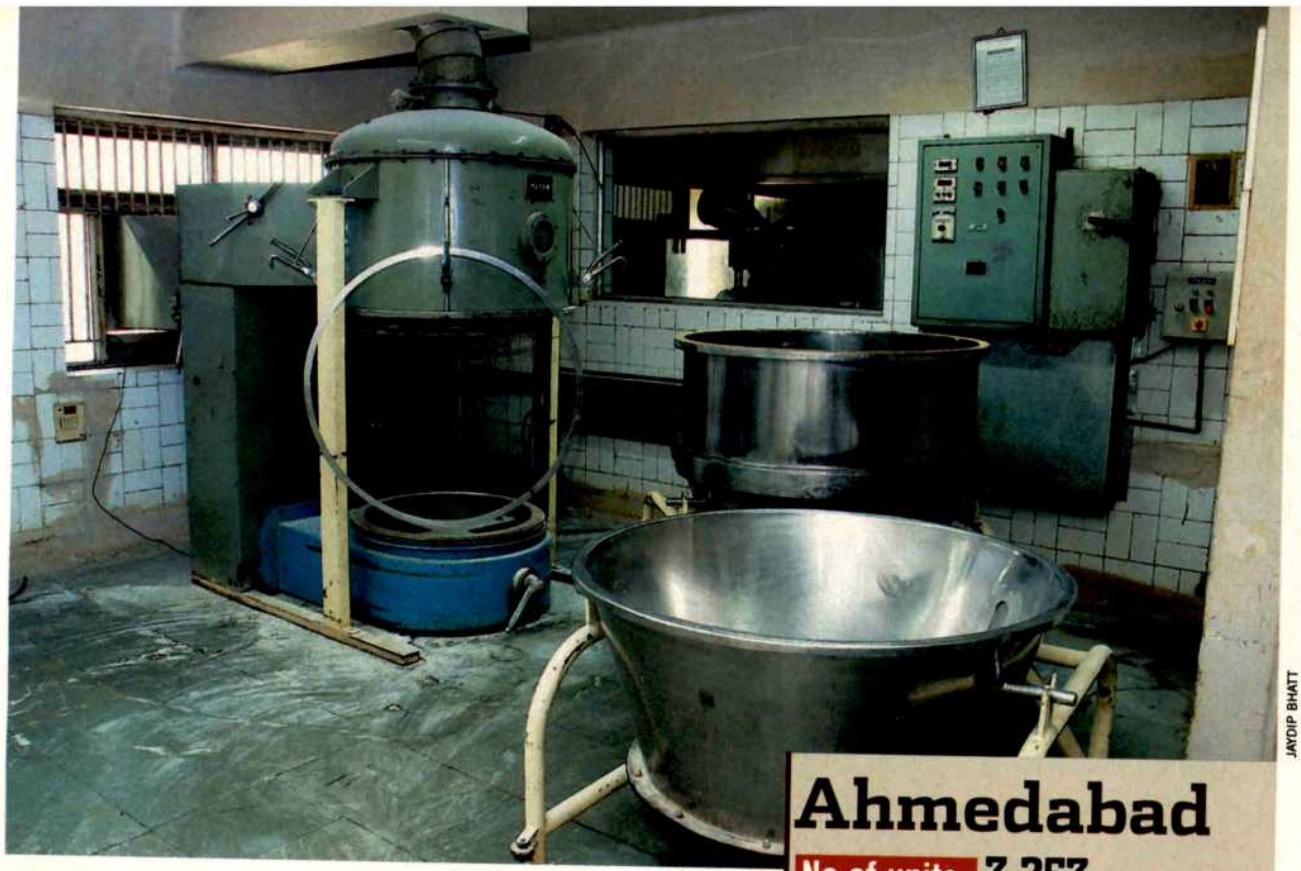
### Raw Material Woes

The primary reason behind the SME slump is spiralling prices of basic raw materials, such as plastic and steel. Rashmikant Mehta is president of the Gujarat State Plastic Manufacturers Association that represents 5,000 plastic manufacturers, which accounts for 80 per cent of India's polymer production and 70 per cent of polymer-processing machine manufacturers in India. He says, "Basic PVC raw material prices have shot up 25 per cent in the past four months, resulting in a 30 per cent drop in sales."

In Rajkot, Maganbhai S. Antala, the proprietor of Parag Castings, slumps down and rests his back on the S-shaped, sarkari-looking chair behind his modest white sunmica desk before narrating how he is facing one of the worst phases in his life as a businessman. Anticipating a price rise in pig iron, a few months ago, Antala bought 500 tonnes of it from Kudremukh Iron & Steel. He paid cash for monthly 100 tonne deliveries. But Kudremukh raises its prices on the first of every month, and wanted Antala to take delivery of the entire 500 tonnes at its factory gate by the last day of the month. "I have no space to keep 500 tonnes," says Antala, the furrows on his brow deepening as he recalls his plight. So he revised his order to 150 tonnes. Now, the reason he spends more time talking to journalists in his office than at his factory, he says, is that he cannot run his castings plant at more than 30-40 per cent capacity because of a demand slump.

Antala's Gujarati entrepreneurial pride prevents him from making eye contact, and he keeps his eyes firmly fixed on his desk as he talks of how pig-iron prices have shot up from Rs 15,000-18,000 per tonne to Rs 34,000 per tonne. Antala is just one of the 450 SME castings units in Rajkot that are reeling under the impact of raw material price increases.

S.K. Kapoor, the secretary of The Apex Chamber of Commerce and Industry at Ludhiana, says he has just received a call from his President P.D. Sharma who dictated an emotionally charged letter to the Finance Minister about rising steel prices. Sharma appealed to the FM to raise the export duty to 25 per cent and lower the excise duty from 14 to 8 per



JAYDIP BHATT

## Ahmedabad

**No of units:** 3,253

**Annual turnover:** 30,000 cr

**Loss of business:** 10-60%

**Capacity utilisation:** 60-70%

Source: IDMA

cent. But he has not heard back. Walk around Ludhiana's industrial hub, Focal Point, and the fear of rising steel prices in this city of bicycle and machine-tool makers is all around; as is the fear of competition from China. Palvinder Singh of Guruteg Expellers manufactures oil expellers that he once exported to African countries. While exports accounted for 35-40 per cent of Singh's total output last year, today they constitute only 25 per cent of total production (which has itself come down by about 20 per cent since July-August last year). "Our total input costs have gone up by 40-45 per cent over the past year," says Singh.

Sunil B. Kamate, managing director of Indira Gandhi Sahakari Soot Girani Limited, a cotton-yarn making company, knows the effect this can have on businesses. With the global cotton shortage having raised prices 14 per cent from Rs 19,800 to Rs 22,500 per 355 kg, Kamate says his business and others located in Ichalkaranji near Kolhapur in southern Maharashtra, have been crippled. "This aberration has occurred over the past four months," says Kamate. Like most of his colleagues, Kamate has not been able to pass on his increased cost to customers because he has to compete with yarn from Bangladesh and China, where labour costs are about half the local rate.

### Capacity Bust

The modern steel-and-glass office on the first floor of the factory complex of Aarvee Denims & Exports in the Narol industrial area on the outskirts of Ahmedabad impresses upon the fact that it is not a run-of-the-mill SME. Its status as India's second largest denim maker behind Arvind Mills would place it among the largest SMEs in the country. But Aarvee's 60 million-metre manufacturing facility (Arvind has 110 million metres) is running at just 50 per cent utilisation. As the rupee and cotton prices have shot up "exports have dried up", says Managing Director Ashish V. Shah. His only solace is India's 275 million-metre domestic denim market, which was growing at 22 per cent against the global growth rate of 5 per cent. But with most denim makers facing a fall in exports, they are flooding the domestic market with their fabric, crashing net realisations by 15 per cent, says Shah. So, many denim makers are reducing their output. This could correct prices, underlining the efficiency of free markets. But the process can also be brutal. "Slowdown pressure is hurting companies more than the price hike," says consulting firm Equinox Solutions' Managing Director Naishadh Parikh.

In Coimbatore, which produces engineering goods, such as textile machinery tools, printing presses, pump sets and castings for the automotive sector, there are 500 businesses, including foundries. In a good year the foundries produce

IN DIRE STRAITS: Saarthi Pharmaceuticals at Sahtej near Ahmedabad in Gujarat

BALA

**Chennai**

| | |
|---|---|
| No of units: | 2,000 |
| Annual turnover: | 24,000 cr |
| Loss of business: | 4% |
| Capacity utilisation: | 60% |

Source: Council for leather export/industry

**WHEN IT PINCHES:** David Shoes factory at Ranipet near Chennai in Tamil Nadu

100-250 tonnes of machine parts a month. But "in the past three months there has been a slump in production to the extent of 25 per cent across all the sectors in the engineering industry here", says S.V. Jagadesan, chairman of Indo Shell Cash, an auto parts supplier. "Pig iron apart, we use raw materials like manganese and other chemicals, and their costs have also shot up by 50-100 per cent in the past one year."

### Finance Crunch

When prices rise so wildly, large companies have the financial wherewithal to buy raw material in bulk at a price discounted for volume and use it throughout the year. SMEs do not have that luxury because they cannot afford to keep so much working capital tied up in stock. Working capital loans from banks are not easy to get for the smaller players. Even those who can get loans are faced with interest rates that have hardened to more than 13-14 per cent, expensive at the best of times. "Our credit need has gone up from Rs 1 crore to about Rs 1.3 crore due to raw-material price rise, even though there has been no expansion in production," says Guruteg Expellers' Singh in Ludhiana.

Uncertainty over commodity prices is weighing heavily on the minds of the small entrepreneur; neither buyers nor sellers are interested in long-term contracts. That's hurting long-term sourcing and, hence, the ability to command better raw material prices. "Everybody is expecting prices to come down eventually," says Prashant Parsana of Rajkot's Rs 60-crore Prashant Ferex. "Buyers also do not want long-term contracts," As a way out, some businesses have decided to split term contracts from price contracts.

### Labour Worries

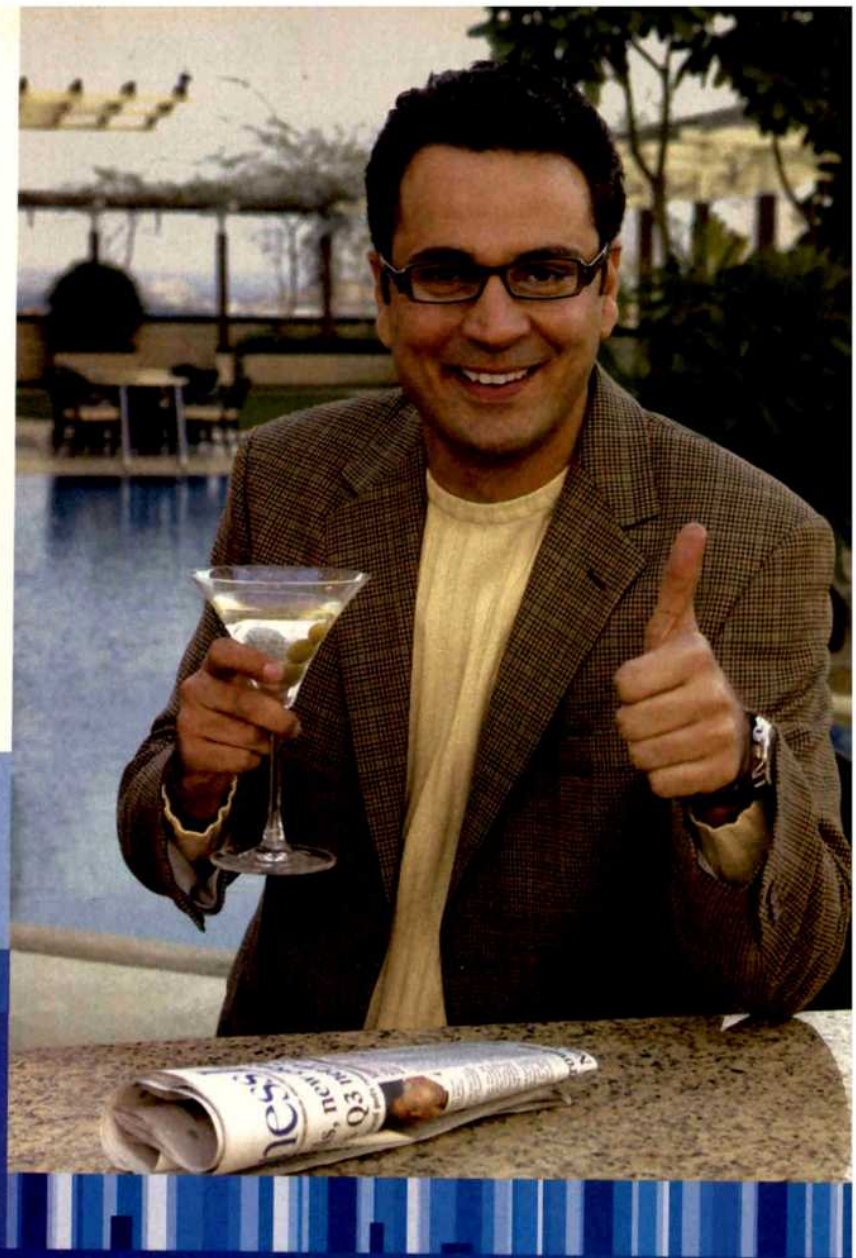
SMEs, which employ far more people per unit of capital deployed than large enterprises, are not creating much employment. Ironically, this is not a burning political issue, despite looming elections. Politicians seem more interested in ensuring jobs are not lost than in creating them. Given the troubles facing SMEs, a free market in labour would have meant huge job losses. But, as well known, Indian labour laws do not allow firms to do that, often binding them into a spiral of losses, debt and unrest. However, today SMEs face a new kind of labour problem. With skilled manpower not readily available and salaries rising monthly, even many loss-making SMEs say they do not want to lay off workers even if they legally could, because they cannot afford to lose people.

There is also a remarkable apathy about the plight of the small-scale sector among industry bodies led by large corporates. In a free-market scenario, it is hard to suggest fiscal and regulatory controls to help the sector. If the government is also unable to help the SMEs in their fight for survival, there will soon be an impact on large corporates. The government's first intervention could come in the form of lower interest rates and enhanced credit availability to the SME sector. It could also proactively identify sectors like machine tools and garments where Chinese imports are hurting more, and provide temporary relief via higher import duties. "Industries are still fighting, but can't fight for too long," says Rashmikant Mehta, president of the Gujarat State Plastic Manufacturers Association, which represents 5,000 plastic manufacturers in Gujarat. But any of these must only be temporary measures. Eventually, it is for the SMEs to re-examine their business models and their efficiencies — or the lack of them — to find a way out of the current crisis.

*rajeevdubey@abp.in*

With inputs from Rajesh Gajra, Vatsala Kamat, Vishal Krishna, Dinesh Narayanan, Jayant Singh and Pierre Mario Fitter

*helping you relish life beyond targets and deadlines*



*"how delightfully thoughtful!"*

Come, discover this refreshing signature experience across 3 great Sarovar brands spanning over 35 delightful hotels pan-India.

SAROVAR PREMIERE
*5 star premium hotel*

SAROVAR PORTICO
*3/4 star business hotel*

Hometel
*Economy hotel*

***Nobody covers India like we do!!! 35 hotels and more...***

SAROVAR
HOTELS & RESORTS

Mumbai: (022) 6635 0800. New Delhi: (011) 2638 3851/2/3/4/5. Bengaluru: (080) 4115 3344/5588/5599.
Chennai: (044) 2826 5566/6644/4488. Kolkata: (033) 2228 7301/0301

**www.sarovarhotels.com Toll Free Reservations: 1 800 111 222**

enzcomm.com

# Saying It With Flowers

**by Uttara Choudhury in New York**

**The CIC-J.C. Flowers deal is a sign of China's maturity**

IT ISN'T ALWAYS EASY TO WALK SOFTLY WHEN YOU are carrying a big stick. Especially if you are China Investment Corporation (CIC) — China's sovereign wealth fund (SWF) — and carrying the equivalent of a $200-billion stick. Last month, CIC put up about 80 per cent of a $4-billion fund into a new private equity (PE) fund in partnership with and to be managed by US PE firm J.C. Flowers. The tie-up with J.C. Flowers will allow the Chinese to invest indirectly in the US financial sector.

The new alliance is seen as a dexterous way of dancing around the political concerns in the US (and the West) set off by a slew of deals last year in which Singapore's Temasek bought a $4.4-billion stake in Merrill Lynch, and Abu Dhabi's SWF bought a $7.5 billion-stake in Citigroup. CIC itself ploughed $3 billion into Blackstone and $5 billion into Morgan Stanley.

The arrangement with Flowers will allow the Chinese to invest indirectly in the US financial services sector. However, the J.C. Flowers fund would also be less likely to invest in large banks than in smaller US, European, perhaps even Asian banks and brokerages. That's one way of ensuring that US criticism in an election year doesn't get too loud.

But is muting US fears the only rationale for this approach by the CIC? "It is foresight because it will give CIC access to the best and brightest on Wall Street," says Amit Bhatiani, portfolio manager at Duma Capital in New York. "US fund managers are very aggressive and know the Street." Others see CIC using Flowers to manage this new fund as a sign of China's maturity. Instead of relying on just its own money managers, it is casting its net wide to get the best returns on its burgeoning wealth by roping in Wall Street professionals.

What makes it more intriguing is that the CIC-J.C. Flowers Fund — J.C. Flowers has 10 per cent and other partners will contribute the remaining 10 per cent — is focusing on investments in financial institutions. CIC is not alone among the SWFs to look at financial services firms. "There are signs that a lot of private equity dollars, including SWF dollars, are being ploughed into them in search of opportunistic growth," says Robert Kennedy, private equity partner in the New York office of Jones Day.

Wall Street hands say firms such as J.C. Flowers are looking at these opportunities because such deals need less borrowed money than traditional buy-outs: after all, financial institutions are already leveraged. "The opportunities in the financial sector are in sync with the private equity model because of the turmoil in the debt market," says Bhatiani.

### So What's The Game Plan?

China today has foreign exchange reserves of a whopping $1.3 trillion, about $500 million of which is invested in low-interest US Treasury bonds and debt. With Beijing's foreign exchange reserves increasing at $1 million a minute, Premier Wen Jiabao has said CIC will invest one-third of its corpus, or $60 billion-70 billion, in overseas assets.

"That is a lot of money, but the Chinese have C-class money managers compared to the A-class talent on Wall Street," says a fund manager from a US buy-out shop who did not want to be named. "This is a way of making smart investments." Wall Street insiders say that if the Chinese fund was so inclined, it could buy Ford and General Electric, and still have a little money left over.

CIC is also reportedly looking for more than a dozen global asset managers for both the equity and fixed income investments. J.C. Flowers was picked by China for one of its proposed funds after CIC invited global fund managers last December to apply to run different stock portfolios.

**ENTER THE DRAGON:** Chinese will now be able to invest indirectly in the US financial services sector

ILLUSTRATION ANTHONY LAWRENCE

The deal is good for J.C. Flowers, too. Chess-playing Harvard graduate J. Christopher Flowers, 49, got his start as dealmaker for Goldman Sachs and made partner in 1988. He left to start J.C. Flowers 10 years later. According to *Forbes* magazine, Flowers became a billionaire thanks to his investment in 2000 in the former Long Term Credit Bank of Japan, now renamed Shinsei Bank.

But the Chinese have proved tough negotiators. Usually, fund managers may be asked to contribute a "symbolic 1 or 2 per cent of the capital" to a new fund. But CIC asked J.C. Flowers to invest more money "with the aim that it shares more risk and responsibility".

"Chris Flowers agreed to the Chinese demands because running the new fund is a coup for J.C. Flowers, which has had a run of bad luck," a person familiar with the deliberations told *BW*. Life insurer Friends Provident threw out a $7-billion takeover proposal from Flowers saying the offer was too low. J.C. Flowers' planned $26-billion leveraged buy-out of the biggest American student lender Sallie Mae also fell apart due to credit market deterioration and a decision by the US Congress to cut subsidies to lenders. More recently, J.C. Flowers' bid for Bear Stearns was rejected by the Federal Reserve in favour of JPMorgan Chase.

**Taking A Page From China's Playbook**

There have been reports suggesting India plans to put its reasonably large foreign exchange reserves into creating a SWF to invest in global energy assets. And it is not just government officials who are advancing the idea. "A fund focused on oil, gas and coal assets would give India a hedge against inflation," says energy investment expert Gopal Mukherjee.

India's foreign exchange reserves have shot up to nearly $300 billion, and created problems for exchange rate management, besides adding inflationary pressures for the Reserve Bank of India. But not everyone is convinced that SWF-style investments will fetch magic returns.

Vinay Nair, a senior fellow with the Wharton Financial Institutions Centre at the University of Pennsylvania, writes in India Knowledge@Wharton, that "It is difficult to imagine how countries can allocate large amounts of capital in high-return opportunities overnight without building the capabilities to do so." Good companies, he says, carry a cash buffer — not unlike the reserves that governments maintain — that is valuable during economic downturns. Will the Indian government be enticed by the carrot of high returns on its reserves?

*bweditor@abp.in*


CERTIFIED UNDER
ISO 9001:2000
ISO 14001:2004
OHSAS 18001:1999

NUMALIGARH REFINERY LIMITED
(A Govt. of India Enterprise)
NRL

GLOBAL

NOTICE INVITING TENDER

Name of Work :

Process Licensor for Wax Hydro Finishing Unit of NRL (TS-014).

Tender No.:

OC08000001

Date of Pre-bid discussion:

22-05-2008

Due date of submission:

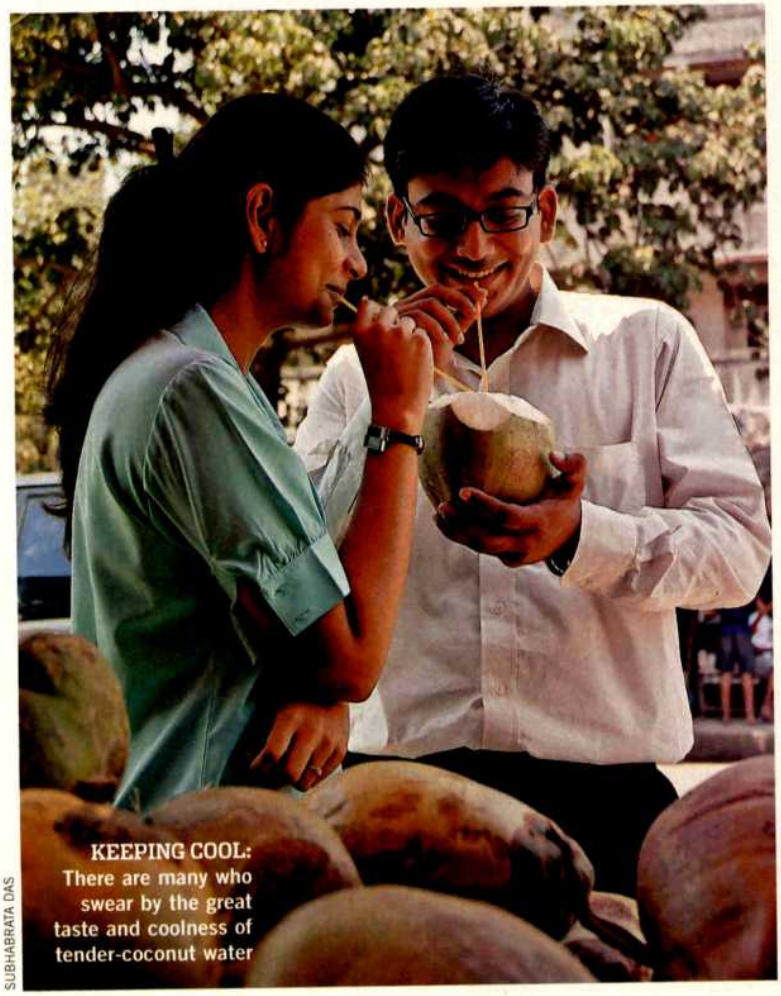
12-06-2008
upto
15.00 hrs.

Chief Manager (Commercial)
Ph: 03776-265815/ 785
Fax: 265514
e-mail:
debashish.choudhury@nrl.co.in

For details & tender document please visit our web site
www.nrl.co.in

# For A Sip Of Nectar

**by Rajesh Gajra**



SUBHABRATA DAS

KEEPING COOL: There are many who swear by the great taste and coolness of tender-coconut water

**Coconut water is a business with some interesting dynamics**

IN THE HARSH AFTERNOON GLARE OF A HOT APRIL sun, an orange-coloured truck carrying about 6,000 tender coconuts rattles along towards Mumbai in the last leg of a long, 28-hour, 1,200-km passage from the Maddur APMC (agricultural produce market committee) *mandi* in Karnataka's Mandya district. It reaches its destination, the familiar wholesaler K.B. Beeravunni in the metropolis' suburb of Andheri, at midnight. Over the next four hours, Beeravunni's men, with practised precision, unload the nuts and deliver them to 30 street-side retailers over a 20-km stretch from Bandra to Goregaon.

Unloading takes about 10 minutes at each halt. Naturally, retailers are not present to take delivery. Under the amber glow of streetlights, Beeravunni's men cover the coconuts with the traders' tarpaulin sheets, and leave them for the retailers to collect at dawn. By late next evening, 60-90 per cent of the Mandya delivery has sold briskly in Mumbai's sweltering heat. Come nightfall, and the cycle repeats itself, a pattern undisturbed for decades.

One of nature's finest gifts to mankind, tender coconut water has survived the onslaught of age as well as competition from natural and artificial beverages. Here's a look at how this intriguing 'industry' works in India.

## Hard Facts In A Tender Business

Mumbai's annual tender coconut turnover, handled by some 40-50 wholesalers like Beeravunni, is estimated to be around Rs 53 crore-69 crore. Among the crowded cities, which are the best markets for tender coconuts, Mumbai consumes the most. In the peak months of March-June, and from mid-September-mid-October, roughly 170,000 fruits give relief to parched throats of Mumbaiites every day. The 581,400 trees in Mandya's 5,814 hectares of orchards not only grow the most number of tender coconuts in the country, but also figure among the top coconut growing regions of Asia.

Like its naturally good product, the tender coconut business has been entirely reliable. "The past few years have not seen much growth in income, but it has been steady," says Beeravunni. "Business has been recovering from a slump two years ago when an air-borne pest attack caused extensive damage to coconut palms in Mandya and other places (in Kerala, Karnataka, Gujarat, Tamil Nadu)."

It is estimated that there are around 11,600 tender coconut planters in the entire country. Coconuts from Kerala and Tamil Nadu are more suited for oil extraction, while those from Karnataka have more water.

In 2007-08, the Maddur APMC saw 61.27 million tender coconuts being sold by agents to cities' wholesalers for Rs 20.88 crore. Between 43.8 million and 51.1 million of these fruits reached Mumbai; the rest went to Bangalore, Hubli, Pune, Thane, and elsewhere in Karnataka and Maharashtra. "Nine out of every 10 trucks (of tender coconuts), during peak season from December to June, come from Mandya, and the one remaining truck comes from Mangrol in the Junagadh district of western Gujarat," says Beeravunni. Mongrol, 1,000 km from Mumbai, has its more regular markets in

Gujarat, Delhi, Punjab and Haryana.

Other than Mandya and Mongrol, Tamil Nadu's Pollachi district is also a large producer of tender coconuts. "During the 3-4 month peak season in summer, around 40-50 trucks with around 4,000 large-sized tender coconuts leave Pollachi for Chennai and other cities and towns on the east coast every day," says C.M. Kamaraj, managing director of Pollachi-based Sakthi Coir Exports. Kamaraj is among the handful of entrepreneurs who export tender coconut, packed in aluminium cans, to Australia, New Zealand, Dubai and other countries.

### Minimum Wholesale Price

Agriculturist Krishna Prakash's five-acre orchard in Mandya, which has 180 coconut trees, yields fruit thrice a year; more fecund lands are known to give six harvests annually. "In this region, one coconut palm seedling (which costs Rs 100) takes seven years to grow into a proper fruit-bearing tree," says Prakash.

Most planters such as Prakash inherit ancestral property. "From a matured tree, I get 50-70 tender coconuts in every fruitation," says Prakash. "The highest I have ever got from the local APMC agent, who comes to collect tender coconuts directly from my land, is Rs 3.50 per fruit." Prices in Mumbai, meanwhile, have escalated by 30-50 per cent in the past couple of years. The average tender coconut costs Rs 15-20 during peak months and Rs 11-12 otherwise.

The largest margins in the tender coconut business are made by the APMC agents, some of whom, depending on the state and the district, are also politically connected. This is partly because they receive their APMC agent licences from the state government. It's also the reason why planters' pleas to hike government-determined minimum prices at various *mandis* go unheard. Fifteen-twenty agents at the Maddur APMC, and 39 agents in Mongrol, control more than 75 per cent of the entire tender coconut trade in the country.

The relationship between APMC agents and planters is determined by the size and needs of the latter. A needy small planter, with one acre of land or less, may contract to a fixed advance sum of Rs 1 lakh-10 lakh for future harvests, a low rate to which the planter remains shackled for 3-7 years, depending on the original agreement. Prices in Mumbai could double in the interim period.

### Thirsty Cities

The city wholesaler also needs strong local contacts, both political and municipal, to survive. Street-side retailers earn less than him. "Even on the hottest days, when there is a rush of people to drink tender coconut water, there is a limit to how much I can earn," says Anna, an itinerant retailer in Kandivli who carts 50-70 tender coconuts on his bicycle. "The cutting of the hard nut and then fleshing out the *malai* takes a fixed amount of time."

No books of accounts are prepared except for some loose sheets of paper on which the wholesaler details the number of tender coconuts supplied to each retailer on different days. Payments are in cash, except in the case of some wholesaler-APMC agent dealings where the wholesaler deposits cash directly in the bank account of the agent. "Most of us have been in this business for around 30 years and the trust between all of us is high," says Beeravunni.

Entirely bio-degradable, government and/or private industry would do well to find use for coconut husk, discarded so carelessly. Recommended by nutritionists and doctors, tender coconuts have never gone out of style, not even with the mass advent of everything from highly hyped soft drinks to tetra-packed soy milk. This, despite the water and *malai* inside the fruit weighing less than a quarter of the outer shell, and costing nearly double a chilled aerated alternative. Let's drink (tender coconut water) to that.

*rajesh.gajra@abp.in*

## FROM THE TREE TO YOUR HAND

**The economics of one truckload of tender coconuts reveals a spiralling cost story**

| Particulars | Small sized | Large sized | Total |
|---|---|---|---|
| **Number of tender coconuts** | 1,600-2,000 | 3,400-4,000 | 5,000-6,000 |
| **Farmer gets from his local agent** | | | |
| ■ Per fruit | 2-3.25 | 3-4.25 | - |
| ■ Total value | 3,200-6,500 | 10,200-17,000 | 13,400-23,500 |
| ■ Average cost per coconut | | | 2.68-3.91 |
| **Mumbai wholesaler pays farmer's agent** | | | |
| ■ Per fruit | 4-4.80 | 6.60-7.40 | - |
| ■ Total value | 6,400-9,600 | 22,400-29,600 | 28,800-39,200 |
| ■ Commission | - | - | 800-1,200 |
| ■ Loading charges | - | - | 700-900 |
| **Mumbai wholesaler pays trucker** | | | |
| Transportation charge for 1,100-1,300 km | - | - | 16,000-20,000 |
| **Mumbai wholesaler pays unloading charges at 20-30 retail outlets** | | | 600-1000 |
| **Total cost for Mumbai wholesaler** | | | |
| ■ Total value | - | - | 46,900-62,300 |
| ■ Average cost per coconut | - | - | 9.38-10.38 |
| **Mumbai retailers pay wholesaler** | | | |
| ■ Per fruit | 8-10 | 12-14 | - |
| ■ Total value | 12,800-20,000 | 40,800-56,000 | 53,600-76,000 |
| ■ Average cost per coconut | - | - | 10.72-12.67 |
| **Mumbai consumers pay retailers** | | | |
| ■ Per fruit | 11-14 | 15-20 | |
| ■ Total value | 17,600-28,000 | 51,000-80,000 | 68,600-1,08,000 |
| ■ Average cost per coconut | - | - | 13.72-18 |

All figures in Rs except otherwise mentioned

Source: Wholesalers and retailers in Mumbai

# The Silver Lining

**by kenneth rogoff**

TODAY'S SOARING COMMODITY PRICES SCREAM A fundamental truth of modern life that many politicians, particularly in the West, don't want us to hear: the world's natural resources are finite, and, as billions of people in Asia and elsewhere escape poverty, western consumers will have to share them. Here's another truth: the price mechanism is a much better way to allocate natural resources than fighting wars, as the western powers did in the last century.

**When today's economic boom ends, commodity prices will plummet to levels of 50 per cent or more.**

The US' ill-considered bio-fuels subsidy programme demonstrates how not to react. Rather than acknowledge that high fuel prices are the best way to inspire energy conservation and innovation, the Bush administration has instituted huge subsidies to American farmers to grow grains for bio-fuel production. Never mind that this is hugely inefficient in terms of water and land usage.

Moreover, even under the most optimistic scenario, the US and the world will still be relying mainly on conventional fossil fuels until the hydrocarbon era comes to an end (which few of us will live to see). Diverting vast tracts of agricultural land into fuel production has also contributed to a doubling of prices for wheat and other grains. With food riots in dozens of countries, isn't it time to admit that the whole idea was a giant, if well-intentioned, mistake?

Another wrong turn is the proposal recently embraced by two US Presidential candidates to temporarily scrap taxes on gasoline. But this is not the way to do it. The gas tax should be raised, not lowered. The sad fact is that by keeping oil prices high, OPEC is doing far more for environmental conservation than western politicians who seek to prolong the era of ecologically unsustainable western consumerism.

It is not just oil prices that are high, but all commodity prices, from metals to food to lumber. Prices for many have doubled over the past two years. Oil prices have risen almost 400 per cent in the past five years. The proximate cause is a global economic boom that has been stronger, longer, and more broad-based than any in modern history.

Some politicians also complain about speculators who, more and more, are trading commodities on complex and growing markets that allow them to bet on whether, say, future demand from emerging markets is likely to outstrip growth in future supply. But why is this a bad thing? If 'speculators' are bidding up today's commodity prices because they realise that future generations are going to want commodities, too, isn't that a healthy development? High prices for commodities today mean more supply for future generations, while at the same time creating an incentive to develop new ways to conserve on consumption. Again, high prices are helping in ways that western politicians seem afraid to contemplate.

Admittedly, the global commodity price boom has had profound, albeit enormously complex and uncertain, effects on poverty. While surging commodity prices are helping poor farmers and poor resource-rich countries, they are a catastrophe for the urban poor, some of whom spend 50 per cent or more of their income on food.

One element of the solution is to compensate the very poor for the higher cost of survival. Over the longer term, more money for fertilizer, and other aid to promote self-sufficiency, is also essential. The World Bank, the United Nations, and even the Bush administration have moved to help, albeit in small measure relative to the scale of the problem. Of course, it should be noted that if economic reform in resource-rich Africa had been proceeding at the same pace as in Asia, the era of soaring commodity prices might have been postponed for another century.

For now, though, instead of whining about high commodity prices, governments should be shielding only their very poorest citizens, and letting the price spikes serve as a wake-up call for the rest of us. The end to western consumerism is not yet at hand, but high commodity prices are a clear warning that big adjustments will be needed as Asia and other emerging nations begin to consume a larger share of the global pie.

True, when today's global economic boom ends, commodity prices will plummet, easily 25 per cent, quite possibly 50 per cent or more. Western politicians will cheer, and many pundits will express relief that less money will be flowing to undemocratic countries in the developing world. High prices send a real message about scarcity in a globalizing world. Those who ignore it, especially by blocking market forces, are making a tragic mistake.

---

The author is Professor of Economics and Public Policy at Harvard University. Copyright: Project Syndicate, 2008.

Mission-critical networking at

# 1,314,720 feet up

**ProCurve. Reliable enough for the International Space Station, but just as dependable here on Earth.**

No matter your size or location, we can keep your organization up and running to meet your goals and innovate—through proven and dependable networking solutions. We're able to provide optimal performance for your business by offering a lifetime warranty,* along with 24/7 support. And, when you're closer to home than the International Space Station, we also offer next-day parts replacement in most parts of the world.

**"We chose ProCurve because we knew they could handle the rigors of space."** *—Rolf Schmidhuber, EADS System Technology Leader*

Read our free case study at **procurve.com/ISS** or e-mail us at **procurveindia@external.groups.hp.com**

ProCurve
Networking by HP

Contact us: 080-25041844 | Toll free: 1-800-4254999 / 30304499

*For as long as you own the product, with next-business-day advance replacement (available in most countries). The following hardware products and their related family modules have a one-year warranty with extensions available: The ProCurve Routing Switch 9300m Series, ProCurve Switch 8100fl Series, ProCurve Access Control Server 745wl and the ProCurve Network Access Controller 800. Stand-alone software may have a different warranty duration. For details, refer to the ProCurve Software License, Warranty and Support booklet at: http://www.hp.com/rnd/support/warranty/index.htm

# Help us to bring you a better English News Channel

Dear Reader,

NewsX aims to appeal to people like you, India's leaders and new generation of achievers. People of intelligence and confidence, who demand well researched and thought provoking news; who thirst for insight, not just facts; who want clarity in a world they know is complex.

We would like to hear from you . Please do fill up this questionnaire.

We hope you already find NewsX – India's premier 24 hour HDTV English news channel absorbing and valuable. But to help us tailor our content as closely as possible to your interests and needs, we are conducting a survey to gauge your feelings about us and TV news in general. We would also like to ask you about your media habits and lifestyle. We'd appreciate if you would complete this questionnaire and post it to us with your complete name & address or business card. Alternatively, you can complete the questionnaire online by visiting http://newsx.com/survey

## Your viewing of NewsX

**Q 01 How frequently do you watch NewsX?**

- Every Day ☐
- 4-5 times a week ☐
- 2-3 times a week ☐
- Once a week ☐
- 2-3 times a month ☐
- Once a month ☐
- Less often ☐
- Never ☐

**Q 02 On an average how long do you watch NewsX each time?**

- Not Applicable ☐
- Less than 15 mins ☐
- 15 mins ☐
- 30 mins ☐
- 1 hour ☐
- 2 hours ☐
- Over 2 hours ☐

**Q 03 Which, if any, of these sections do you watch?**
(Please tick all that apply)

- Headlines ☐
- NewsX Live ☐
- Working Lunch ☐
- Sports Round up ☐
- Morning News ☐
- Entertainment ☐

**Q 04 To what extent do you agree or disagree with the following statements about NewsX?**
For each please indicate how much you agree or disagree, using a 3 point scale.

| | Agree | Neither agree nor disagree | Disagree |
|---|---|---|---|
| NewsX covers subject areas that I cannot find elsewhere | ☐ | ☐ | ☐ |
| I find the NewsX content relevant and topical | ☐ | ☐ | ☐ |
| NewsX story coverage is indepth and analytical | ☐ | ☐ | ☐ |
| NewsX helps keep me informed about sports | ☐ | ☐ | ☐ |
| I would recommend watching NewsX to friends/colleagues | ☐ | ☐ | ☐ |
| The adverts in NewsX are useful/ interesting | ☐ | ☐ | ☐ |

**Q 05 Thinking of NewsX which other channel (s) that you watch has/have a similar content? Please name up to three channels.**

- .....
- .....
- .....

**Q6 Overall, how would you rate NewsX ?**

- Excellent ☐ • Fair ☐
- Good ☐ • Poor ☐

**Q7 What are your personal expectations from a premium news channel?**

.....
.....
.....
.....

## Your media consumption

**Q 08 How often do you watch English language news channels from Monday to Friday?**

- 4-5 times a week ☐
- 2-3 times week ☐
- Once a week ☐
- 2-3 times a month ☐
- Once a month ☐
- Less often ☐
- Never ☐

**Q 09 How often do you watch English language news channels on weekends?**

- More than 5 times per month ☐
- 3-4 times per month ☐
- 1-2 times per month ☐
- 2-3 times per quarter ☐
- Once a quarter ☐
- Less often ☐
- Never ☐

**Q 10 Do you have a DTH connection at home?**

- Not applicable ☐ TATA Sky ☐
- Dishtv ☐ DD Direct ☐
- Others ☐

**Q 11 Do you have a CAS subscription?**

- Yes ☐ No ☐

**Q 12 Do you subscribe to?**

- Business Dailies ☐
- General interest magazines ☐
- Business magazines ☐
- International publications ☐
- Special interest magazines ☐

**Q 13 How often do you access a news website ?**

- Several times per day ☐ • Once a week ☐
- 6-7 days per week ☐ • Less often ☐
- 4-5 days per week ☐ • Never
- 2-3 days per week ☐

**Q 14 Do you subscribe to news alerts on your mobile?**

- Yes ☐ No ☐

# About yourself

**Q 15 Are you ...?**

- Male..... ☐ Female... ☐

**Q 16 How old are you?**

- Under 25..... ☐
- 25-34..... ☐
- 35-44..... ☐
- 45-54..... ☐
- 55-64..... ☐
- 65+..... ☐

**Q 17 How often do you travel overseas every year?**

On Work

- Once or twice a year..... ☐
- 3-5 times a year..... ☐
- 6-10 times a year..... ☐
- More than 10 times a year..... ☐
- Never..... ☐

On Pleasure

- Twice a year or less..... ☐
  Thrice a year or more..... ☐
- Never..... ☐

**Q 18 How many cars do you / your family own?**

- One..... ☐ More than two..... ☐
- Two..... ☐ None..... ☐

**Q 19 Do you have any of the following at home?**

| | Yes | No |
|---|---|---|
| • Multiple TV sets | ☐ | ☐ |
| • Plasma/LCD | ☐ | ☐ |
| • Home Theatre System | ☐ | ☐ |
| • Modular Kitchen | ☐ | ☐ |

**Q 20 What sport do you play / watch?**

| | Play | Watch | | Play | Watch |
|---|---|---|---|---|---|
| • Cricket | ☐ | ☐ | • Snooker | ☐ | ☐ |
| • Golf | ☐ | ☐ | • Bridge | ☐ | ☐ |
| • Squash | ☐ | ☐ | • Motor Sports | ☐ | ☐ |
| • Tennis | ☐ | ☐ | • Others | ☐ | ☐ |
| • Football | ☐ | | | | |

**Q 21 Are you a member of a club?**

| | Yes | No |
|---|---|---|
| • Your own membership | ☐ | ☐ |
| • Corporate membership | ☐ | ☐ |

**Q 22 Do you have multiple club memberships?**

Yes ☐ No ☐

**Q 23 Do you subscribe to any private banking / wealth management services?**

Yes ☐ No ☐

**Q 24 Do you own / are planning to invest in a holiday home?**

India Yes ☐ No ☐

Overseas Yes ☐ No ☐

**Q 25 Do you order mineral water in a restaurant?**

Yes ☐ No ☐

**Q 26 Do you look at the wine list in a restaurant?**

Yes ☐ No ☐

**Q 27 Do you order wine with your meal?**

Yes ☐ No ☐

**Q 28 Do you usually fly?**

On Pleasure First Class.... ☐ Business..... ☐ Economy..... ☐

Business First Class.... ☐ Business..... ☐ Economy..... ☐

**Q 29 Which of the following best describes your position/job title?**

- Owner / Partner..... ☐
- President / Chairman..... ☐
- CEO / CFO / COO..... ☐
- Managing Director / Finance Director..... ☐
- Chief Information Technology officer..... ☐
- Department Director / Head of Department / Vice President..... ☐
- Other Managerial level / Executive..... ☐
- Consultant..... ☐

**Q 30 Which of the following broad areas are your main areas of activity at work? (Please select up to two)**

**Management Strategy**

- General Management..... ☐
- Corporate Strategy / Consulting..... ☐

**Finance & Banking related**

- Retail Banking Services..... ☐
- Corporate Banking Services..... ☐
- Wealth & Asset Management..... ☐
- Accountancy / Management Accountancy..... ☐
- Actuarial / Insurance..... ☐

**Business Services**

- Legal..... ☐
- Sales / Marketing..... ☐
- Communications..... ☐
- Procurement..... ☐
- HR/ Training..... ☐
- Finance..... ☐
- Production..... ☐
- Logistics..... ☐

**Technical Services**

- E-Commerce / Business Systems..... ☐
- IT / Telecommunications..... ☐
- Scientific / Technical Services..... ☐

**Public Services**

- Government / Politics ..... ☐
- Education / Medical / Health..... ☐
- Other (please specify).....

As a token of appreciation for participation in the survey, INX shall offer a prize of two (2) First class return air tickets on Singapore Airlines to Singapore from New Delhi/Mumbai to one (1) of the participants ("winning participant") from amongst the first 1000 completed survey questionnaires.

All duly complete survey questionnaires must be received during the term of the survey commencing on 29th April, 2008 and ending before midnight IST on 31st July, 2008 ("closing date").

Please send in your replies at the following address:
INX News Private Ltd, P.O. Box No.- 4082, Mumbai-400007.

Your reply will be treated in the strictest confidence – the results will only be used in statistical format and you will not be contacted by any other company.

TERMS & CONDITIONS

Participants must be over the age of 18 years.

Employees of INX Media & INX News, and its associate companies, and members of their families, and anyone directly associated with the survey, persons with criminal convictions, are not eligible to participate in the survey.

By participating in the survey, the participant agrees and acknowledges having read and understood all rules and regulations of this survey conducted by INX News Private Limited ("INX") for its English News Television Channel NewsX. For detailed terms & conditions log on to http://newsx.com/survey

**NewsX - Now available on Dish TV (608) Tata Sky (540) and across all cable networks.**

**NewsX - Clarity in a Complex World**

NEWS™

**INX**NEWS

'X' & 'NewsX' logo devices are trademarks of INX Media Private Ltd. 'NewsX' wordmark is a trademark of INX News Private Ltd.

# Plateful Of Woes

**by Puja Mehra and Neelu Nanwani**

**Averting a full-blown global food crisis calls for long-term steps**

LAST MONTH, HAITI'S PRIME MINISTER J. E. Alexis resigned after rioters ransacked the tiny country's capital for rice and beans. In March, seven people died of exhaustion from waiting in line for subsidised bread in Cairo. Pakistan and Thailand have deployed troops to avert theft of food from fields and warehouses. World Bank President Robert Zoellick has warned that 33 countries are at risk of social upheaval because of rising food prices. According to the Bank, global food prices have surged 83 per cent in the past three years, traumatising poor nations and the First World alike. For the first time since World War II, when US rationed petrol, light bulbs and stockings, wholesale stores have begun selling rice by quotas.

The UN Food and Agricultural Organization says, global food reserves are at their lowest in 25 years. This has triggered a controversial blame game. The US Secretary of State Condoleezza Rice told the Peace Corps 2008 Country Directors Conference in Washington in April, improved diets in China and India are a major cause for the global supply shortage of food. In response, the developing world has dug out statistics on the steeper rises in the US usage of grains for making bio-fuels.

For immediate relief, US President Bush has offered $770 million as food aid. The World Bank has stepped in, too. The

## Thailand

(The world's leading exporter of rice)

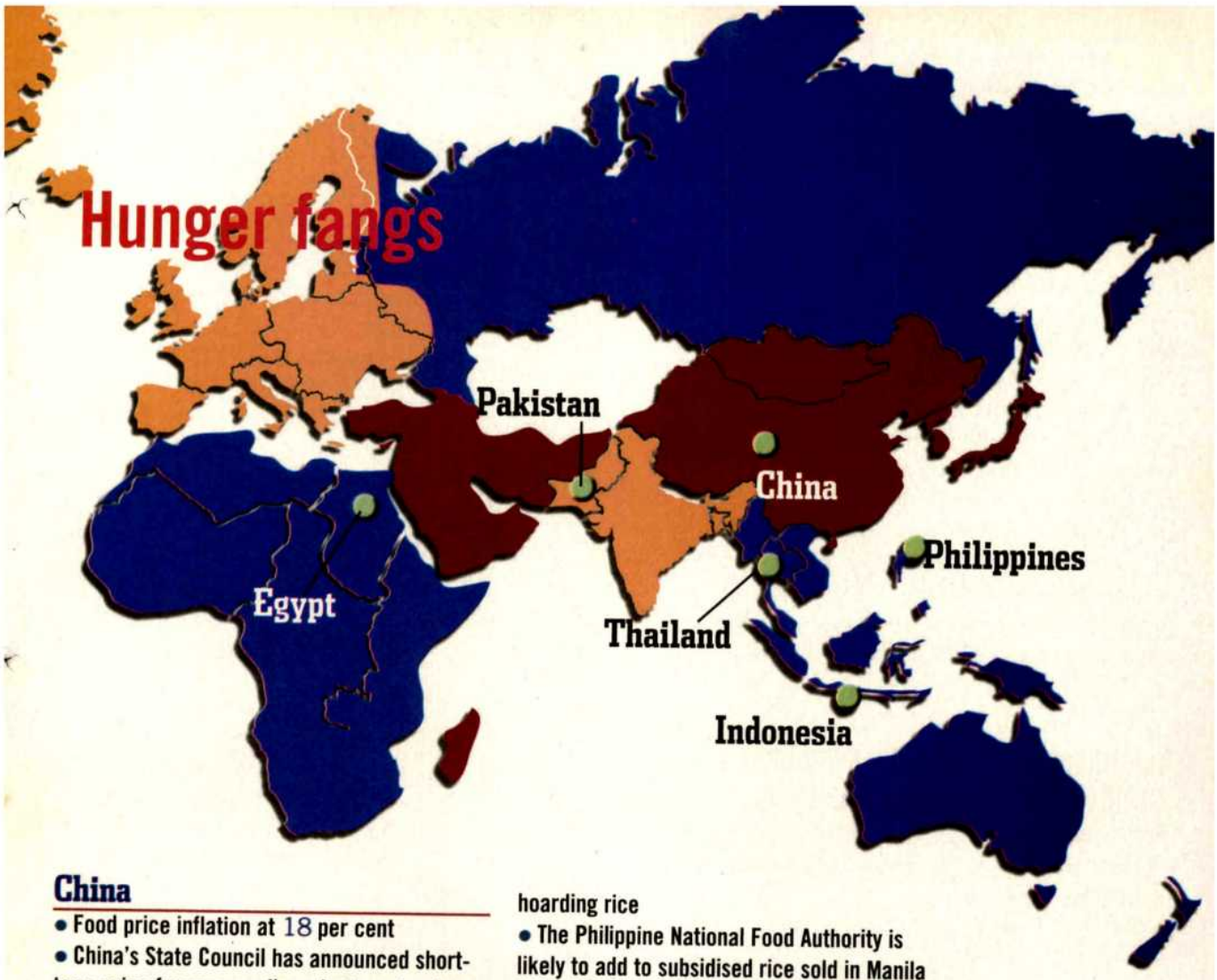
- Thai jasmine rice has jumped from $500 (Bt15,700) per tonne to $1,000 per tonne.
- Thai government has increased rice export prices from $365/tonne to $562/tonne
- The government is planning to freeze prices of rice, cooking oil and noodles

## Egypt

- Prices for dairy goods up 20 per cent and cooking oils 40 per cent.
- Egypt government is granting bonus to workers in response to deadly food riots
- In Cairo, the military is baking bread
- The government has also had to relax the rules on eligibility for food aid, adding an extra 10.5 million people

## Indonesia

- Food price inflation has reached 13%.
- Budget 2008 increased allocation for food subsidies by about $280 million. The government has had to increase its food subsidies by over a third to contain public anger




## China

- Food price inflation at 18 per cent
- China's State Council has announced short-term price freezes on oil products, natural gas and electricity, as well as water charges and the cost of using public transportation
- It has introduced 10% export levies on wheat and has banned rice and maize exports
- It has also removed duties on food imports

## Pakistan

- Food price inflation up at 13%
- Paramilitary forces are guarding flour mills in Baluchistan to prevent illegal exports
- President Pervez Musharraf has announced that Pakistan would be going back to ration cards for the first time since the 1980s

## Philippines

- Food price inflation at 6.4 per cent — highest since August 2006
- The Philippines government has temporarily lifted the quotas on rice
- Also, investigators are raiding warehouses hoarding rice
- The Philippine National Food Authority is likely to add to subsidised rice sold in Manila
- The government has increased police presence at markets and stores to deter violence
- It is likely to increase imports of milled rice by 42 per cent to 2.7 million tonnes this year from 1.9 million tonnes in 2007
- Philippines has made an unusual plea to Vietnam to guarantee its rice supplies. Imports were previously left to the global market

## US

- Consumer food inflation predicted to hit 5 per cent this year, on top of 4 per cent in 2007. Food prices up 40%
- Wheat export prices hiked to $440/tonne in March from $375/tonne in January

## Brazil

- Inflation is nearing 5 per cent. The country has banned rice exports
- Brazilian central bank is jacking up interest rates and tightening monetary policy

# The India basket

affected countries are using fiscal and monetary policies to alleviate the pain. The Finance Minister of India — home to over 220 million poor who live off less than a dollar a day — P. Chidambaram said on May 2, "Inflation is worrying us; it is at a three-year high." The government has assured Rs 25,000 crore for food security and has implemented a slew of measures. Averting a full-blown global food crisis, however, needs long-term structural changes. Like Zoellick says, "We've to put our money where our mouth is now — so that we can put food into hungry mouths."

**ALUMINIUM FOIL:** up 7% to Rs 70. High global commodity and metal prices are inflating the price of household items such as foils and utensils

**RICE:** up 47% to Rs 26.50/kg Minimum export price for basmati rice set at $1,100 per tonne; export of all non-basmati rice banned; the import duty on semi-milled or wholly-milled rice reduced from 70% to nil

**EDIBLE OIL*:** up 23%. India has made edible oil imports duty-free; cut duty on refined oils and hydrogenated vegetable fats to 7.5% and banned exports

**IMPORTED CHOCOLATES:** Toblerone up 29% to Rs 45 despite the 12% appreciation in the value of the rupee

**SKIMMED MILK POWDER*:** up 17 % to Rs 342/kg. India has banned milk powder exports

**FLOUR:** up 8% to Rs 135/10 kg. India imported wheat in the past two years, stepped up procurement from local farmers this year and has banned exports

**PULSES:** up by 15%-30%. Export ban extended by a year

COURTESY: ALLIED FRUITS

**FRUITS:** up by 15 % to 70%. Lichi prices are up 25%; Mangoes are up 66%

**SUGAR:** down 3 % to Rs 17.50/kg on improved output. The day after the government announced price control measures last month, the Food Ministry decided to dismantle 2 million tonnes of sugar from the buffer stock

Price rises over the past 12 months. *Depends on brand

Source: Finance Ministry, Kendriya Bhandar, Delhi; Allied Fruits

# Blame The CIA...

**by rajeev dubey**

WE HAVE A FAVOURITE PUNCHING BAG THESE days — industry cartels. We trust them as much as the US's Central Intelligence Agency (CIA) or its Pakistani counterpart, the Inter Services Intelligence (ISI). And, like in the Indira Gandhi era of CIA-bashing, we blame them for anything and everything. If Indira Gandhi's politicians held the 'foreign hand' responsible for India's foreign exchange crisis as much as for Lal Bahadur Shastri's mysterious death, our leaders and bureaucrats pick on cartels for anything from commodity price increases to food shortage. In current popularity, they could outdo the Indian Premier League cheerleaders. But rightly or wrongly, industrialists have begun fearing the term as much as the dreaded FERA (Foreign Exchange Regulation Act).

**If we are so sure of business cartels operating in the country, why are we not exposing them?**

The problem is that the ghost of the cartels has now become bigger than the cartels, if any. Even without revealing a single cartel, the analysis around them has reached ridiculous proportions: their amorphous nature and their ability to come together and disintegrate at will; their vice-like grip over the industry and pricing; their secret meetings; their leaders and the lack of them. Short of having a cult following, they are everything.

Getting into the act, the prime minister has raised concerns about cartels. The finance minister and the commerce minister have both hurled numerous arrows in the dark in the form of public threats to these amorphous entities and their possessors, saying that industries such as cement and steel are "behaving like a cartel" and that if their "behaviour" doesn't change, the government would take strict measures. At different points in time, sugar and grains have also borne the brunt of such threats. But rarely have these been acted upon as publicly as they have been issued. Now that the spiralling raw material prices are causing a slowdown in the economy, the threats are back.

But as the din around these nebulous entities gets louder and louder, the inaction over them has exposed the small talk.

If we are so sure of business cartels, why aren't we busting them? If we have evidence of cartelisation, why isn't that being made public to expose them? Why haven't we pinned down the blame and penalised cartel members? The near-defunct Monopolies and Restrictive Trade Practices Commission is believed to have instituted some inquiries into cartels and the government has proclaimed it is examining its legal and administrative powers to act against cartels. But the perpetual debate raging for several years is so much up in the air that the repeated references to cartels is now bordering on fatigue. The government has a moral responsibility to ensure that the term doesn't gather comical intensity. It reminds me of captivating TV documentaries of the mythical 20 Saddam Hussein look-alikes. Apparently, they never existed. Or, for that matter, an entire cover story in an international magazine (with illustrated graphics) of Mullah Omar's lavish air-conditioned mountain-side bunkers — with miles of motorable tunnels — in Afghanistan that could withstand nuclear bombs.

Don't be surprised if the next cartel announcement from a minister is followed by peals of laughter like every reference to the 'foreign hand' did in the Parliament in the 1980s. At the current hit rate of cartel exposure, some day, the epitaph of the 'cartel' would proclaim that these were mysterious creatures like the Yeti or the extra-terrestrial that were never discovered on the face of the Earth.

While the ministries themselves have done little else but threaten action, what is ironic is that the Competition Commission — the regulator that has been authorised by the Parliament to investigate and recommend (not act, unfortunately!) into competition issues such as the cartels — has been left in a state of disuse since the Act was passed in October 2007. So much so that the enthusiastic one-man member of the Competition Commission Vinod Dhall is now nearing retirement in November.

Dear ministers, please take some radical steps before cartels gain mythological significance. Raid companies, jail a CEO or book him under the Essential Services and Maintenance Act. But please don't let cartels go down in history as a CIA-like lore — mythical and mystical.

If we can't, then let's take this to another level of intellectual frustration. Let's blame the CIA.

*rajeevdubey@abp.in*

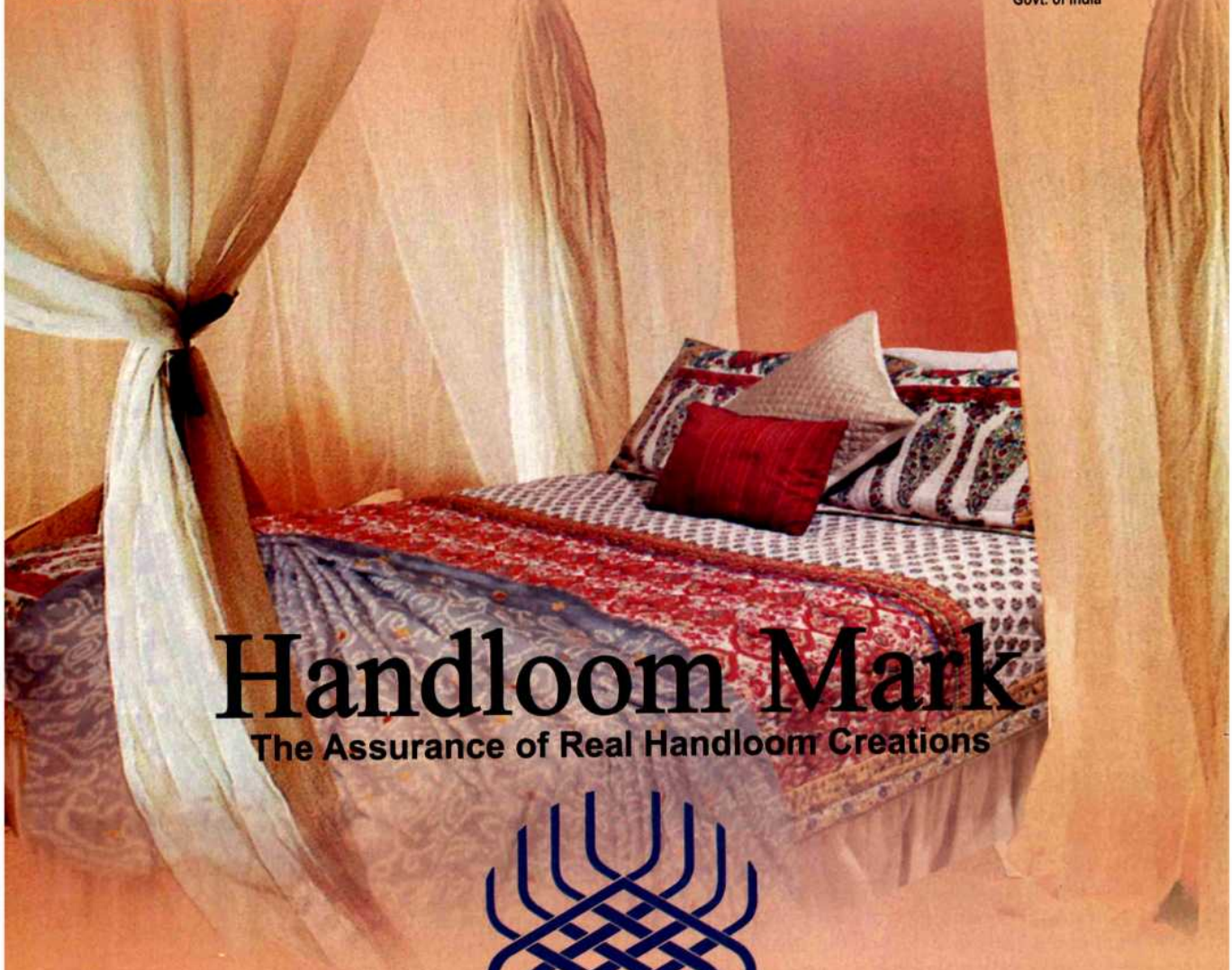
# Not Just A Logo But An Initiative That Will Benefit 65 Lakh Weavers & Protect A Rare Skill & A Proud Legacy

Shri Shankersinh Vaghela
Hon'ble Minister of Textiles, Govt. of India

Smt. Sonia Gandhi
Hon'ble Chairperson, UPA

Dr. Manmohan Singh
Hon'ble Prime Minister of India

Shri E.V.K.S. Elangovan
Hon'ble Minister of State for Textiles,
Govt. of India



# Handloom Mark

## The Assurance of Real Handloom Creations

**Handloom**

Every product that bears the 'Handloom Mark' certifies the authenticity of the product being an original hand-woven produce created by 6.5 million handloom weavers

**Office of the Development Commissioner (Handlooms)**
Ministry of Textiles, Government of India
www.handlooms.nic.in

**Textiles Committee**
(Implementing Agency)
Ministry of Textiles, Government of Ind
www.textilescommittee.gov.in

COUNTRY REPORT

# BRAZIL BECKONS


## 50 Great Opportunities Ahead

The natural Indo-Brazil chemistry and the sheer size of their economies notwithstanding, business has been slow between them. There's boundless potential to be tapped

## 55 'Let's Open Up More'

Brazil's Minister for Development, Industry & Foreign Trade Miguel Jorge on how the two countries need to reduce barriers and come closer, even through Bollywood or soap operas

## 56 Business With Brazil

India and Brazil have similar business and political problems but much can be accomplished together. Agriculturally rich Brazil can even help feed hungry Asia

## 58 CII Conclaves Up The Ante

Conclaves make a strong case for an India-Brazil axis. A shortage of some vital natural resources is staring India in the face and a partnership with Brazil could come in handy

## 60 Politically Speaking

Despite poverty and rising crime, the left-leaning Workers Party continues on the growth path largely because of the popularity of its leader, President Luiz Inácio Lula da Silva

## 62 Carnival Time

The spirit of celebration natural to Brazilians generates employment opportunities aplenty, besides earning huge revenues for the country's tourism sector

PHOTOGRAPH: BLOOMBERG

foreword

# Ready To Embrace

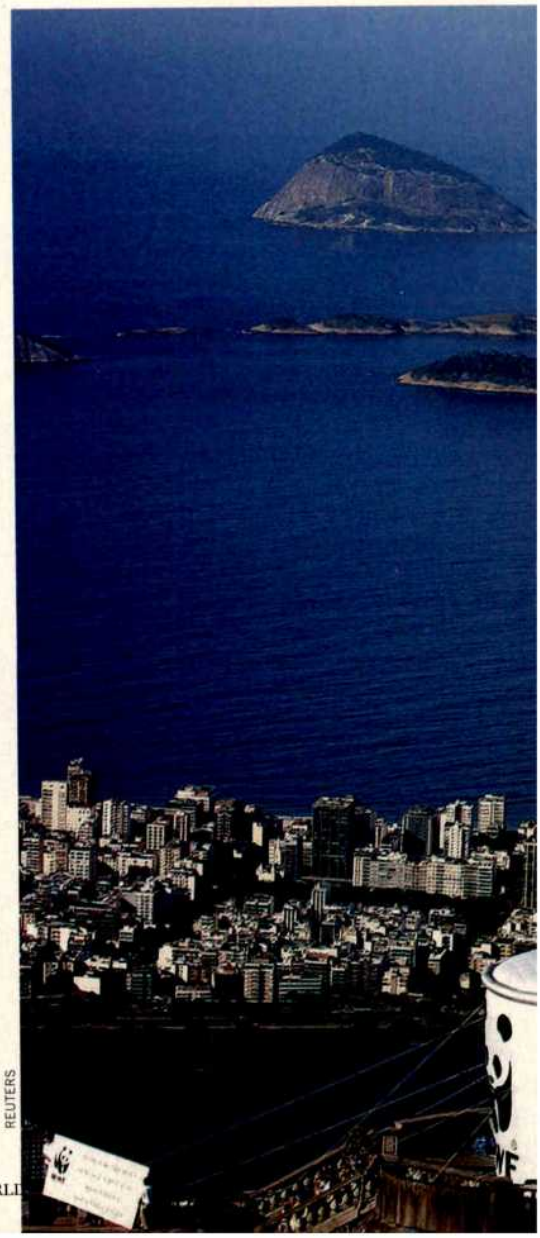
GURBIR SINGH

**Brazil has immense potential to be a key trade partner for India in the coming years**

CAESAR MULLER, A LARGE manufacturer of ladies shoes in Porto Alegre, Brazil's second largest industrial city, came to India with two containers of his finest leather products. He sold everything in a jiffy and was happy with his takings. Muller should have come back tapping deeper into the fast-growing Indian luxury market for designer ladies shoes that he makes so well. But he did not.

Roberto Paranhas Do Rio Branco, president of the Brazil-India Chamber of Industry, who related Muller's story, said the entrepreneur found the logistics of retailing shoes in India cumbersome and preferred to focus on Europe and Brazil's domestic market. "Muller should have scaled up in India through a JV with an Indian partner," says Branco. "We can form efficient chains in traditional areas such as shoe manufacture and IT to sell in other markets too."

In many ways, Caesar Muller epitomises the relations between these two important Bric (Brazil, Russia, India And China) countries:



REUTERS

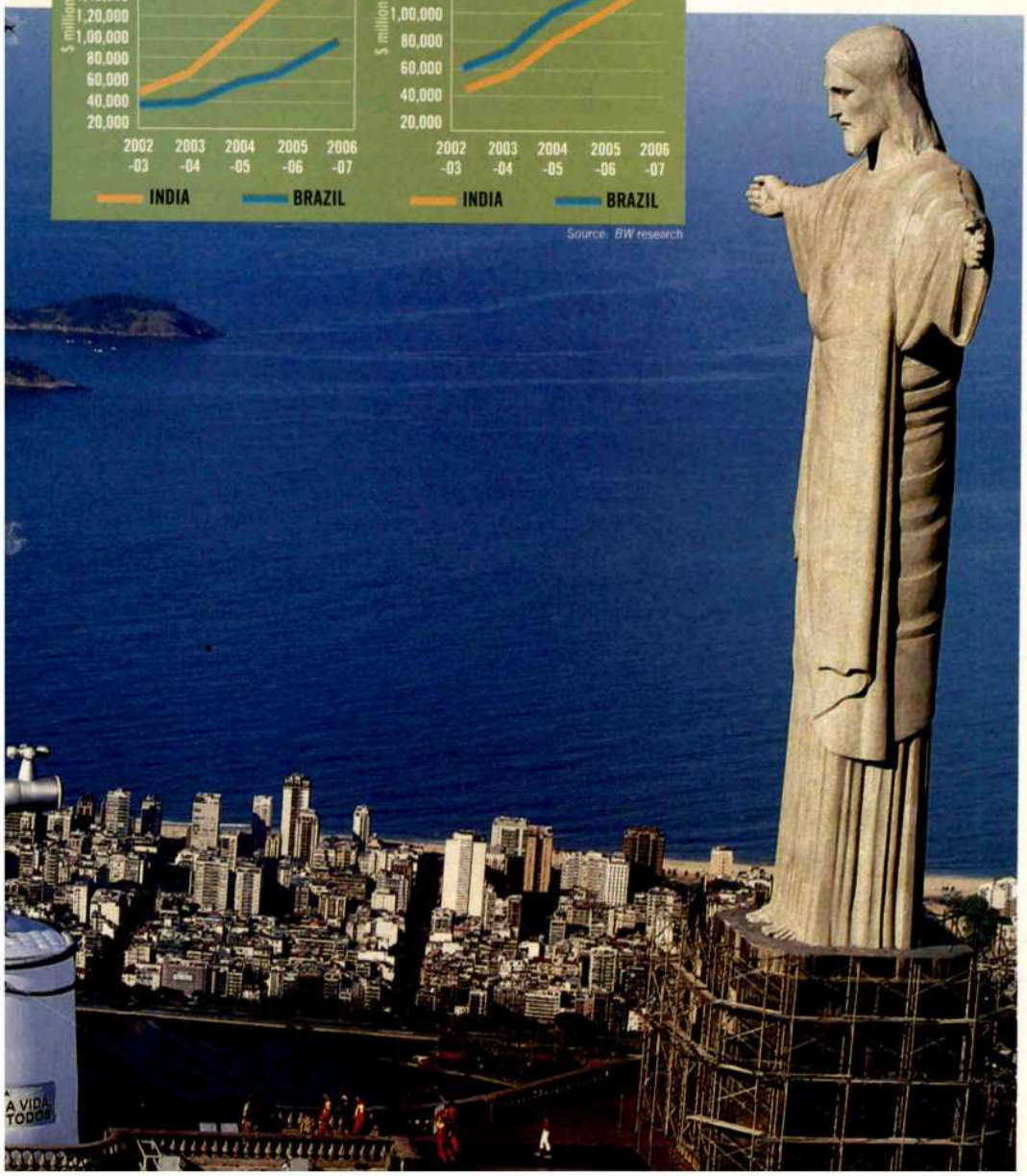
Business dealings are timid and hesitant despite the naturally, strong chemistry between the two. Yet, to state the obvious, there is opportunity waiting to be tapped.

Brazil conjures up two pictures: gyrating women in Rio de Janeiro's Carnival and a football crazy nation. What that country does for a living is still a mystery for India. A closer look is a surprise for most: it is both very European and more developed than one imagined. Official figures released this March show that it grew at its fastest pace in three years expanding at 5.4 per cent on a huge surge in domestic demand fuelled by a credit boom and lower interest rates. A year ago, when Brazil's Central Bank had predicted a growth rate of 4.7 per cent it was considered optimistic. In January 2007, the Brazilian government shifted from adjustment to development and launched the Growth Acceleration Programme (PAC), which sought to end the tilt towards monetarism that constrained President Luiz Inácio Lula da Silva's first term in the presidency of the Republic starting 2003. The PAC comprises a set of economic policies for the next four years, aimed at scaling up Brazil's growth, with a total investments' forecast at a whopping $295 billion by 2010. Brazil's per capita income is a healthy $5,115. Compared to India's $735 (Rs

## The Fundamentals

Brazil's balance of trade has been far more favourable than that of India's

Source: *BW* research

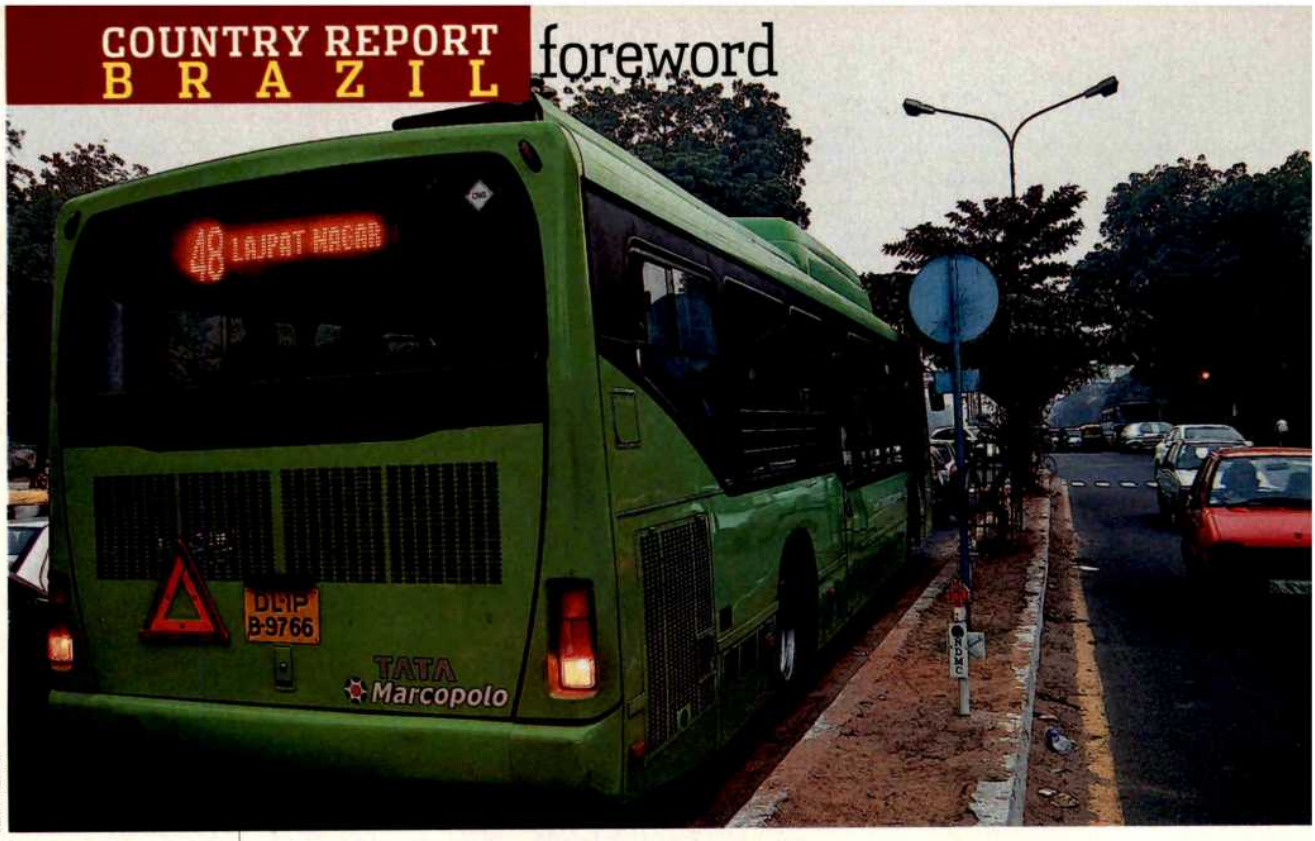


THE SKY IS THEIRS: Through its Growth Acceleration Programme, the Brazilian government aims to scale up massively in the next four years

### EXECUTIVE SUMMARY

- Despite a strong natural chemistry between India and Brazil, trade ties between the two countries are weak
- However, a slew of joint ventures between various Indian and Brazilian firms could help harness the untapped trade potential between them

# foreword




AMIT VERMA

**HAND-IN-HAND: The Tata Motors-Marcopolo JV has already got an order for 625 buses for the Delhi Transport Corporation**

29,382) for FY2007, despite India reporting the maximum number of billionaires in Asia. With Brazilians clocking consumption approximately six times that of an average Indian, it should be music to Indian businesses wanting to sell goods and services in South America.

Yet, considering the size of these two very large countries, business ties are weak. Compare Brazil with India's two biggest trading partners. With the US, two-way trade touched $31.5 billion for FY2007. For China, the figure for FY2007 was $25 billion, and in 2008, it emerged as India's largest trading partner with a $40-billion turnover two years ahead of schedule. On the other hand, as Indian Ambassador to Brazil Hardeep Puri emphasised, Indo-Brazil trade has been growing rapidly from a low base of just $200 million 10 years ago to an expected $4 billion this fiscal.

The current political climate could not be more favourable for trading with Brazil. President Lula da Silva, now in his second term, is striving to steer an independent course from the US and Europe by developing blocs of nations that will act as a counterweight to dependence on the developed world. One such bloc is the IBSA — India, Brazil and South Africa. The IBSA forum was established in June 2003 to promote south-south dialogue and enhance their trade ties. It has been holding regular conclaves, and the latest initiative has been to hold trilateral naval war games this year between these countries off the South African coast. The expectation is this bloc will develop these war games as an annual feature. "The more Brazil's trade ties increase with India and South Africa, the greater will be our bargaining power with the US," says Gustavo Codas, a senior theoretician of Lula's Workers Party in Sao Paulo. It's now up to business leaders from these respective countries to translate the rhetoric to reality.

Among the strongest icons of India-Brazil partnerships today is the Tata Motors-Marcopolo alliance. Marcopolo S.A. has emerged as one of the world's biggest bus and coach builders fitting sleek, comfortable bodies everywhere from Volvo in Europe to Dina buses in Mexico.

In May 2006, Tata Motors and Marcopolo announced a 51:49 JV to manufacture and assemble fully-built buses and coaches in India. The JV also hopes to explore opportunities in Bus Rapid Transit System and has already got an order of 625 sleek buses for the Delhi Transport Corporation (DTC). Brazil's Minister of Development, Industry and Foreign Trade Miguel Jorge revealed that the JV was moving to a new plant in Dharwar in Karnataka shortly. Among the biggest in the world, the unit will manufacture 100 buses a day.

Marcopolo Director Valter Gomes Pinto said Marcopolo would be giving the Indian JV a "lot of importance". He said Marcopolo had flown in 52 technicians from Porto Alegre to New Delhi to service the DTC order from the pilot plant in Lucknow. Jose Reakins de la Rosa, CEO and director, told *BW* the first 10 DTC buses were on

the road and 525 buses would be delivered by end-2008. When told Volvo buses had had a head start in India, Rosa reacted: "Our JV intends to compete strongly with Volvo."

If Marcopolo can go to Lucknow, Mahindra & Mahindra (M&M) can make it to Manaus, too. About two months ago, the utility vehicle maker announced it had started assembling its pick-up trucks and the Scorpio SUV in Brazil, in the Amazon region's capital, Manaus. M&M is entering Brazil through a JV with automaker Bramont-Montadora. The company's Manaus unit has a capacity to assemble 5,000 units annually. M&M has, for the first time, begun assembling the Scorpio outside India. The first Scorpio assembly plant was launched just weeks ahead of Brazil in Egypt.

Brazil is one of top 10 auto manufacturing countries in terms of volume. Much of the consumption boom is driven by car sales. A Research and Markets' paper titled 'Brazil Automobile Industry till 2010' says despite high sales of cars during 2006, there are still bright chances for growth as the penetration rate per thousand population of this segment is still low.

Another successful collaboration is Gerdau S.A.'s JV with Kalyani Steels. The $13-billion Gerdau Group, the largest steel producer in the Americas, tied up in June last year with Kalyani, a producer of special carbon and alloy steel. They have re-floated the 270,000 tonne-S.J.K. Steel plant in Tadipatri in Andhra Pradesh, taking a 45 per cent stake each. The JV plans to enhance its capacity to 1.6 million TPA of finished steel in the next few years. For Gerdau, this is its first step into Asia.

Embraer, Brazil's manufacturer of jets, is well known in India after it emerged as the exclusive supplier of aircraft to the Chennai-based Paramount Airways. Paramount currently has five E-175 aircraft in the air and has placed firm orders for 20 and an option for 20 additional aircraft. Orlando J.F. Neto, managing director of Embraer Asia-Pacific, says his company is pushing hard to replace the turboprop French company ATR in India as the favoured supplier of jets for the 'regional' segment. Embraer has begun talks with both the Tata Group for supplying executive jets that included the Phenom 100 and with Indian for the 80-85 seater E-175 commercial aircraft, Neto revealed in an interview with *BW* in Sao Paulo.

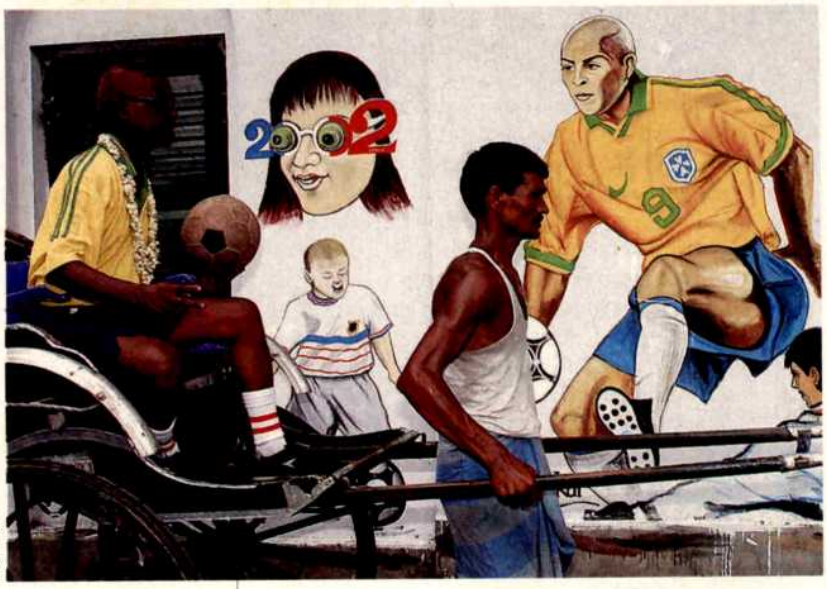
Embraer also has a deal with Invision Projects in India for the supply of 18 Phenom-100 and two Phenom-300 executive jets at the Dubai air show in November last year. The $69.4-million deal is the largest business jet fleet order in India. In the commercial segment, the aircraft maker will be focusing on selling the E-170 and E-175 jets that can be configured for 60-85 seats and qualify for the 'regional jet' category. This qualifies the aircraft for a 30 per cent subsidy for aviation fuel (ATF) making it a competitive product, Neto added.

Last year, Brazil celebrated one of the world's biggest oil discoveries in recent years in the Tupi field, about 155 km off Rio. It could yield as much as 8 billion barrels of light crude and would push up Brazil's total reserves to 20 billion barrels and propel it into the top 10 producers of oil. This was a morale booster for the country since it is facing an energy crisis, particularly in natural gas supplies. In May last year, Bolivian president Evo Morales moved to nationalise his country's oil and gas fields on which Brazil is heavily dependent. In the short term, though, the oil find is unlikely to solve Brazil's energy problems, say analysts.

Meanwhile, Brazil's oil-rich basins have India's $15-billion public sector oil giant ONGC nosing around for business. Its subsidiary ONGC Videsh has taken a 15 per cent stake in

**RACING AHEAD:** M&M's partnership with Bramont-Montadora could help it gain footing in Brazil's huge and unexplored automotives market

# foreword




REUTERS

**ENDURING IMAGE:** For most Indians, Brazil is only about football, to the extent that they even support Brazil in the World Cup as their own

the oil field 'BC-10', which is primarily Shell-operated while 35 per cent is held by Brazil's public sector oil company Petrobras. ONGC Videsh won two blocs in Brazil in what is known as the 'ANP Round 9' bidding in November, last year. "If these blocs are successful, we will have to invest as much as $2.5 billion," says ONGC Videsh's Country Manager P.V. Sateesh Kumar.

Though progress has been slow, a clutch of Indian companies have managed to cash in on the early bird advantage. One such company is Claris Lifesciences, an Ahmedabad-based pharmaceutical company that decided to go alone in Brazil seven years ago and set up a 100 per cent distribution subsidiary Claris Produtos Farmacêuticos do Brasil Ltda.

Describing his travails, Sanjeev Shah, the 35-year-old head of Claris Brazil, said his conservative Gujarati wife went back to India with the children after she saw with horror gay men kissing openly in the street below his apartment.

Working 12-16 hours a day with a team of seven Indians and 72 locals, he has built a distributorship network of 300 outlets with a focus on injectibles. It has registered 30 products across diverse therapeutic categories such as anti-infectives and anaesthesia. "The next leap for Claris will be to begin manufacturing IV fluids in Brazil," says Shah. "We are now looking for a partner."

Pidilite's chief Satya Muley has spent eight years in Brazil, and has grown India's largest adhesive company's subsidiary to a turnover of $300 million with 180 employees in four years. "It's not easy doing business here," he says. "Taxes are high, and we face complicated legal compliances and an unmoving bureaucracy."

Yet Muley has gone on to acquire a local adhesive brand called 'Pulvetec' and established 60,000 sales points. The company's business plan includes importing its special chemical brands, while moving to manufacture as much of the volume of its adhesive products in Brazil as possible.

"For India, the geography and culture makes Brazil look too far," says Muley. "Yet the Brazilian mindset is extremely favourable to India. We should reclassify this market as an 'A' category focus area."

Indian software giant Satyam is headed by a Brazilian — Ideval Munhoz. Launched in 2005, Munhoz has carved out a niche for Satyam in Brazil taking a piece of the US pie as well as servicing the local and Mexican markets. So far, Satyam is a small operation, says Munhoz mainly working on SAP outsourcing and infrastructure applications. However, growth plans are big. Satyam has set up a BPO with 150 employees and is in the process of setting up a development centre near Sao Paulo with around 1,000 engineers.

Many Brazilian companies, despite their fear of far-off Asia, have been sniffing around for business, too. Metalfrio, which produces white goods, and holds a 70 per cent share of the freezers market in Brazil, is negotiating to set up two plants in India and is hoping to export freezers to other Asian countries from these plants.

Similarly, Weg S.A., a $2-billion electrical products giant, is talking to Kirloskar to jointly distribute its products in India, and is also considering setting up a plant of its own in India.

But as business consultant Rakesh Vaidyanathan puts it, "Government and cultural contacts are happening, but business is still not buying in." For both sides, it is fear of the unknown. The US or Europe are more familiar territory for both Brazilians and Indians. Yet, Brazil for all its size and diversified markets is a fairly homogeneous country. It is almost entirely Roman Catholic and entirely Portuguese speaking. Forget English, even Spanish does not go far.

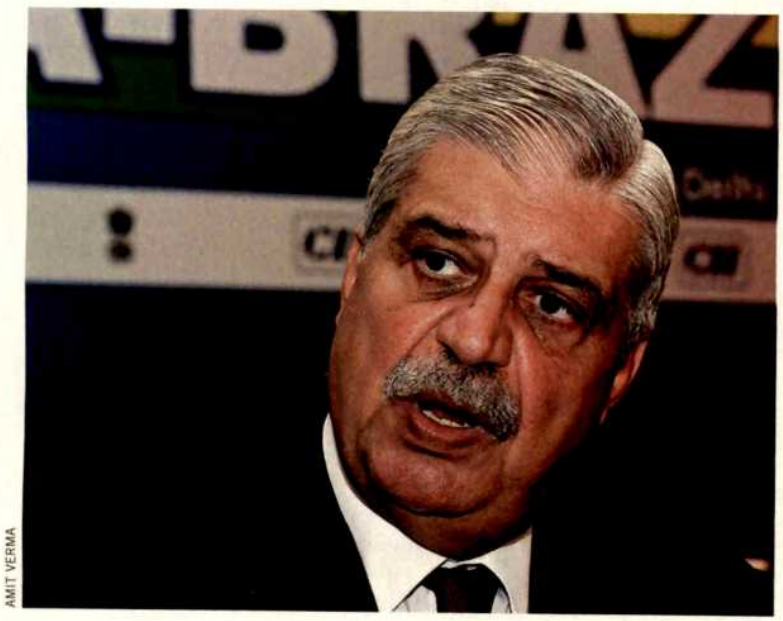
For all its street crime, Brazil is a liberal society, and the three races — the white Caucasians, those of African origin and the native Indians — are fairly integrated via a common language. High taxes and street violence are a deterrent but the Workers Party rule has kept social conflict fairly in control.

Michael Reid's new book *Forgotten Continent* sums up the emerging trio aptly: "If China was becoming the world's workshop and India its back office, Brazil is its farm — and potentially its centre of environmental services."

*gurbir.singh@abp.in*

# 'Let's Break Barriers'

— Miguel Jorge
Brazil's Minister of Development, Industry & Foreign Trade



AMIT VERMA

**Miguel Jorge, Brazil's Minister of Development, Industry & Foreign Trade, started out as a journalist in 1963. Twenty-four years later, he moved to the corporate sector. That's when he first met Luiz Inácio Lula da Silva, then a firebrand union leader, and now President of Brazil. They struck up a friendship. Last March, President Lula invited Jorge to his cabinet. Jorge's brief includes increasing Brazil-India trade from the present $4 billion to $10 billion by 2010. He spoke to *BW's* Pierre Mario Fitter on trade, orange juice and even Bollywood, during a recent visit to New Delhi. Excerpts:**

**Q: There have been three state visits in three years between India and Brazil. What brings you here this time?**

**A:** When we came to India last year, we established the Brazil-India CEO forum. We also wanted to improve the bilateral trade between Brazil and India. Brazil has a huge trade deficit with India. We are trying to ramp up investments in food processing. We have talked about a joint venture and maybe even set up a research centre (in India). Much of the (trade is) around diesel. So we're also talking with Indian Oil, Bharat Petroleum and Hindustan Petroleum.

**Q: As part of the G20, India and Brazil fight farm subsidies that developed countries maintain. But Brazil also complains that India's farm sector is protected.**

**A:** It's not really a complaint. It's more a negotiation that India should reduce its barriers. Our agriculture minister spoke with (Commerce and Industry) Minister Kamal Nath about this. We are the biggest orange juice producer in the world. Our companies in this area want to come to India to process citrus and develop plantations here. But there is a tariff of 30 per cent on orange juice exports to India. We want it to be lower.

**Q: Regarding the India-Mercosur (Southern Common Market) trade agreement, India has reminded Brazil several times to ratify the agreement, but Brazil hasn't responded.**

**A:** We have a problem on this issue. First, as you know, we cannot have bilateral agreements in Mercosur. We have to do it as a bloc. Look at the European Union — no country can independently take a trade decision. You have to negotiate as a bloc in the EU. The same is with Mercosur: with Brazil, Chile, Paraguay and Uruguay. The negotiated agreement is ready, but it has to be approved by our Congress. We've talked to the leaders of all the parties, but it is difficult because we have so many interests, so many parties.

**Q: Has the IBSA (India-Brazil-South Africa) group become more important in the backdrop of the collapse of the Doha round? What about cooperation in areas such as climate change and UN reform?**

**A:** Even independently of Doha, this group is important. It's natural to establish trade relations between India-South Africa and Brazil. I don't think it's related to Doha. It won't be affected if Doha goes well or goes bad.

**Q: On a different note, India and Brazil have talked about cooperation in the movie and TV industry...**

**A:** Yes! We're probably the biggest sellers of soap operas in the world! You can even watch Brazilian soap operas in China or Sweden! One of our biggest soap opera directors is in India right now, looking for locations to maybe have a soap shot here.

GRAPHIC: NEERAJ TIWARI

# Creative Business

**by Rakesh Vaidyanathan**

**Brazil can be a profitable trade partner for India**

AMONG THE NOW FAMOUS BRIC (Brazil, Russia, India and China) economies, while India has had historical ties with Russia and has been actively trading with China due to its geographical proximity, Brazil has always been exotic and unfamiliar to the Indian imagination.

In terms of development, Brazil is ahead of India in rural banking, retail and retail-related technologies, basic infrastructure, civil aviation and food processing industries. India leads Brazil in IT and BPO, pharmaceuticals, local automotive design and in discrete manufacturing industries.

Brazil is a bottom-up, people-led society like India, but unlike Russia and China where there is a more centralised authority. Like Indians, Brazilians love to communicate. Naturally both have thriving and independent media industries that revel in making fun of their leaders.

### The Big Opportunities

Whether iron ore, ethanol, edible oils, wood pulp, or orange pulp, Brazil is rich in resources and is also a gateway to the larger region of Latin America. Brazil allows foreign ownership of natural resource assets including land and minerals, it has the basic infrastructure and value deals are still possible. There are several examples of this happening. Pramod Mittal's Global Steel has, for instance, acquired iron ore concessions in Brazil.

Brazilian rural banking, public transportation, consumer products, cold storage and retail systems and technologies are eminently usable in the Indian context. Brazilian leather industry is looking to India now to start adding value to local Indian footwear producers leveraging the know-how Brazil has developed by serving the sophisticated European markets for decades. For Indians teaming up with Brazilians there is an advantage over tying up with Europeans: Brazilians are more flexible in negotiations.

Jointly owning brands, co-investing in downstream distribution and forming strategic alliances to fight global multinationals in their markets are great ways to leverage the joint strengths of Brazil and India in areas where there is apparent competition. In many industries the real competition is not between two commodity suppliers but between suppliers and customers.

Brazil has only 500 listed companies as opposed to almost 5,000 in India. Given a similar sized economy, it shows how difficult it is for local Brazilian firms that cannot tap global capital markets. India could also be a substitute for European imports in areas such as machine tools, pumps and switch gear. The exchange rate is favourable today and since the image of Indian manufacturing is neutral, brand building in Brazil could be an interesting strategy rather than in more developed markets.

### Incentives For Investors

Brazil is generous in some types of government concessions. Almost all state governments give free land if you create jobs. Concessions on value-added taxes and on import taxes are two useful incentives used as weapons in the wars

between states to attract investment. Unlike India, however, income tax exemptions or export incentives do not exist in Brazil.

### The Pitfalls

Brazil is often a dilemma for many Indian CEOs. It is unknown but holds promise. Many investors do not want to commit too much investment. They consider US and European markets better given their larger size. True as it may be, Brazil is not a marginal market and could be a more sustainable opportunity than the US or Europe if it is committed to. If approached half heartedly as many Indian companies do, it could be very frustrating.

Brazil is not a pure factor arbitrage market but an investment market. Investment does not mean money alone but also management time and local face time for senior managers in a relationship intensive market. One of the results of looking at Brazil marginally is that companies can end up with a small market share. Except in regulated industries, informality levels are very high in Brazil due to high tax rates. If you are not big enough you may end up competing with the informal players whose prices and practices are difficult to match.

### Choosing The Right Partner

Indian companies should choose Brazilian partners carefully. A well known Indian pharma company, which is very successful in India and the US, signed the deal with a large Brazilian pharma company at the first instance, happy that it had avoided the costs of market study and development. The alliance proved a mismatch, trying to sell prescription drugs through the hospital channels of the Brazilian company. Another relatively smaller Indian pharma company decided to go alone, painful and slow, and with relatively high investment. Today 15 per cent of its global turnover comes from Brazil.

### Personal Relations

Relationships are a major part of Brazilian business. Many Indian managers have not yet mastered the art of organisation building. They are good entrepreneurs and financial managers but not good managers of culturally diversified people. However leadership that can co-opt local managers to form a truly multi-cultural team provides tremendous leverage for success. Indian companies value trust and familiarity most and in the name of caution may fail to develop a sustainable management structure.

BLOOMBERG

**FLYING HIGH:** Brazilian jet manufacturer Embraer exclusively supplies aircraft to Chennai-based Paramount Airways

### Complex Tax And Labour Laws

Brazilian taxes as a percentage of GDP are 38 per cent and climbing. One has to get a good tax lawyer as the tax laws here are complex and lack logical consistency. Labour liabilities are very high and may amount to 100 per cent of the person's salary. Many companies try to work with contractors to avoid labour liabilities, but Brazilian labour laws could be painful and often side with the employee than the company.

### Bad Bureaucracy

Brazilian bureacrats could compete with Indian babus and beat them at their own game. It is very common to use powerful intermediaries with understanding of how the Brasilia Maharajas work (they call their politicians and bureaucrats Maharajas!) to speed up the process. Time delays of registrations and environmental clearances are well known.

Whatever the hindrances, Brazil still can be a profitable business partner for India.

## Making new partners

Recent India-Brazil Joint Ventures

| Alliance | Product | Stake | Plant location |
|---|---|---|---|
| Tata Motors-MarcoPolo | Green buses | 51:49 | Lucknow (India) |
| M&M-Bramont Montadora | SUV | - | Manaus (Brazil) |
| Gerdau-Kalyani Steel | Steel | 45:45 | Tadipatri (India) |

Source: *BW* research

The author is the founder of The Jai Group — a business services firm that focuses on the India-Brazil corridor.
*rakesh@thejaigroup.com*

CII trail

# Latin Liaisons

**by Gurbir Singh**

**The CII conclaves may boost trade among the two nations**

"GREAT THINGS ARE HAPPENING IN India," says an effusive Roberto Paranhos Do Rio Branco, president of the Brazil India Chamber of Commerce. "You will be our biggest business partner in Asia. The lead will have to be taken by you. Indians go everywhere; we are timid."

Taking Branco's advice seriously, Rajeev Kumar, head of exports for tractor-maker Escorts', came all the way from Faridabad to Sao Paulo and is now seriously negotiating with two Brazilian companies for the distribution and dealerships for tractors and tractor parts. Selling them in knocked down condition is what Escorts is aiming at, since the viability of setting up manufacturing and assembly plants in Brazil is questionable, he says.

Another frequent Brazil visitor is Awesh Jain, senior GM of Ruchi Soya Industries. Initial talks in December 2007 with a slew of soya crushing units as well as bio-diesel and ethanol plants have now led to Jain zeroing in on a few for joint ventures.

Both Kumar and Jain were part of a whistle-stop tour — from 10-14 December (2007)— of the Confederation of Indian Industry's (CII's) delegation through Brazil with conclaves at major industrial centres in the continent-size country.

### More Aggression Needed

India's Ambassador to Brazil, Hardeep Singh Puri, is upbeat but critical of Brazilian business groups for not being aggressive enough. Speaking at another conclave in Sao Paulo, Puri said, "India needs $439 billion in infrastructure investment, but Vod Brett (a Brazilian infrastructure company) says its order books are full."

Brazil is a superpower in oil and agriculture, and these areas offer huge opportunities for collaboration, he said. Since India has upped the ante for cleaner fuels, the Indian government's agenda for blending ethanol with auto-fuels may be increased from 5 per cent to 10 per cent. This offers an opening for Brazil's ethanol technology and its exports. In this respect, Puri said the 'Batata Project' — the route of making ethanol from sweet potato — was the best option since sugarcane production was constrained due to water shortage.

### Pushing A Brazil-India Axis

Greeting the delegation on behalf of the hosts, the Federation of Industries of Minas Gerais (FIEMG), in Belo Horizonte, Carlos Abijoudi of the Center for International Business, said that both India and Brazil as part of the BRIC axis had led in lowering of import tariffs, with Brazil bringing it down to 10.3 per cent.

**BRISK BUSINESS:** Brazilian businessmen cajoled their Indian counterparts to cash in on the business opportunities in their country

Abijoudi found an echo at another CII conclave later in Sao Paulo, where Pramod Chaudhari, chairman of Praj Industires, cited the example of Europe, which came together to fight off Boeing by developing Airbus. "Brazil and India should look to developing the Embraer platform," he said. On a broader level, Chaudhuri said India and Brazil should jointly develop water management management "which in the long run would help restrict climate changes".

Meanwhile, speaking in Belo, Abijoudi said, foreign trade had substantially increased between the two countries. In Brazil's case it had gone up from $651 million to $936 million, while for India it had increased from $555 million to $1,074 million in fiscal 2006.

### Low Trade Figures

But behind all the bonhomie, there was also the uncomfortable realisation that business relations between India and Brazil were minuscule as compared to their trade with other countries. In another conclave in Porto Allegre, President of the Federation of Industries Rio Grande Do Sul (FIERGS), Ceasar Muller, said, "India accounts for just 0.55 per cent of our exports and just 0.51 per cent of our imports are from India."

Following an exchange agreement signed between CII and Rio Grande Do Sul's FIERGS, Nelson Proenca, presenting the business opportunities on behalf of the government of Rio Grande Do Sul, said the state with a population of 11 million was mainly a food producer but with a large base of IT software parks. He said the state will invest $5 billion over the next five years in pulp and social forestry and another $2 billion in renewable energy.

### Early Bird Gets The Worm

In many ways, Brazilian businessmen were cajoling their CII counterparts to take the opportunity in Brazil by the horns. It was time to cash in, they seemed to be suggesting, when industry bodies like those in Belo Horizonte and Porto Alegre were laying out the red carpet and the Brazilian government was keen on giving concessions to increase trade and business.

Ahlad Kothare, originally from Mumbai but settled in Belo for the past 15 years, was taking this advice seriously. *BW* caught up with him at a luncheon thrown by the Indian Consul in Belo Horizonte, Elson Gomes de Barros Junior.

A business 'consultant', Kothare was the first to bring Indian pharmaceutical companies to Brazil, selling the idea to them that they could out-price the locals who sold at inflated rates. His first success was Manish Pharma, for whom he brokered the buyout of 3 small pharmaceutical units in Belo – Sanobiol, Lasa and Aurea – for a consideration of $25 million.

## PRESIDENT'S BRUSH WITH BRAZIL

AP

**In a first for a President of India, Pratibha Patil travelled with a business delegation recently covering three countries and seven cities in South America. Landing in Sao Paulo on 13 April, she chaired a business meeting between the Confederation of Indian Industry (CII) and the Federation of Industries of State of Sao Paulo (FIESP). Addressing a meeting packed with industry representatives from Sao Paulo and her business delegation, the President delivered her first ever address to industry representatives.**

**Patil said that the meeting between FIESP and CII was a unique gathering of businesspersons representing two fast-growing economies. She added that bilateral trade between India and Brazil had trebled over the past three years to reach $3.12 billion. The President then went on to Rio de Janeiro and the capital Brasilia.**

### Food And Fuel

It finally fell upon Roberto Rodriques, a senior office bearer of the Federation of Industries of Sao Paulo (FIESP), to chart the Indo-Brazil path of growth and cooperation. He pointed to what seemed a contradiction but was not — that Brazil was no more an agricultural country but agri-business was its second largest industry after fuel production. He said agriculture provided Brazil with one-third of its jobs, and one-third of its exports. Despite any bilateral agreements with the developed world for agro-exports, the volume had grown 100 per cent in 2 years for both processed meat and corn.

Whether India can adopt the prescription offered by Rodriques' on ethanol production is a matter of debate. But when he said India and Brazil must jointly plan for both food and fuel for the next 20 years, Roberto Rodriques drew vigorous nodding of heads from the audience.

*gurbir.singh@abp.in*

REUTERS

# Politically Famous

**by Gurbir Singh**

**President Lula has rejuvenated Brazil's economy**

AN UNNERVING SIGHT FOR NEWcomers on the streets of Rio de Janeiro or Sao Paulo are the policemen who wear bullet-proof jackets and are armed with the kind of heavy duty weaponry — .45 handguns and assault rifles — that would make 'Robocop' seethe with jealousy. "Sir, if you go for a walk on the beach, leave your jewellery behind but carry at least 200 rials (little less than $100). In a hold up, the thugs get frustrated and fire if they find the pocket empty," warned the bell boy in Rio who brought in the luggage.

With a flourish he opened the curtains of my eighth floor room in the posh Hotel Othon Palace revealing miles of white sand of Rio's famous Copacabana beach. Overlooking the lines of expensive housing apartments along the beach stretch was a jagged hillside full of slum hutments. Welcome to Rio de Janeiro's famous favellas.

Besides being the international Carnival capital, Rio also boasts of having the worst crime rate in the world, clocking 61 murders per 100,000 people annually. Gustavo Codas, a senior theoretician of the ruling Workers Party (PT) shocked me in Sao Paulo when he revealed that "70 per cent of the teenagers in the Rio and Sao Paulo slums don't make it to age 30".

Much of these hillside slums have been taken over by criminal groups using children as foot soldiers and it is a constant battle by the government to re-establish its control over these marginalised communities. Last June, Brazilians were shaken by one of the deadliest anti-drug trafficking operations in Rio that left 44 people dead in the Alemao slum. Before the standoff, the police had physically occupied and cordoned off the slum for 50 days!

### Popular Score

It is obviously a difficult social problem that the left-leaning Workers Party (PT) is tackling. Coming from a background of workers' militancy with its main base among the poor in the slums, the party is also sensitive to the criticism in Brazilian society that the government is "criminalising poverty". After all, not very long ago — in 1984, to be precise — current energy minister Tilma Rusuf was part of an operation that kidnapped the US Ambassador to Brazil.

Despite the pockets of poverty and rising crime, the PT continues its unwavering hold largely because of the popularity of its leader, President Luiz Inácio Lula da Silva. He began his second term on 1 January 2007, and he seems to be as popular now as he was when he first took office in 2003. A recent survey by the National Industrial Federation (CNI) and Ibobe polling Institute indicate that Lula has the approval of 66 per cent of Brazilians.

### Lost Dream

The centre-left PT has come a long way from its earlier goals of establishing an old-style Socialist state. Peddling its original socialist programme, the PT for the first time came close to winning an electoral victory in the 1994 elections but a vigorous centre-right backlash saw Lula win just 27 per cent of the vote. However, the tide was flowing in favour of PT, which captured the governorship of significant cities such as Porto Alegre and Sao Paulo. By 2002 Lula became the first elected socialist leader in Latin America after Salvador Allende of Chile.

The PT is not a homogenous left-wing party but a collection of as many as 30 factions or tendencies such as the Articulação, the centre-left group that Lula is a part of, Marxists and Christian socialists. The initial positions in 2003 in the ruling party reflected a radical, left wing drift but after a series of struggles, Lula has spearheaded a more 'pragmatic' position.

Predictably, Lula and the PT have been accused internally by other party factions of having compromised workers' interests. These struggles have led to rebellions such as the one in January 2005 when 112 members of the radical wing of the party announced they were abandoning the PT.

### Growth Path

The economic policies pursued by the government over Lula's two terms are distinct and mirror the steady rightward drift of government policy. In its first term, the party adopted a fresh, participatory style of governance but the targeting of inflation through a strong monetarist policy pushed up interest rates to a high of 18-20 per cent, slowed down GDP growth to 2.5 per cent, and with lack of investment pushed Brazil towards stagflation. Yet despite negative ruling by the IMF and the OECD, Lula won the second round in 2006.

**ROAD TO SUCCESS**

- **Lula has spearheaded a more pragmatic centrist position after a series of struggles earlier.**
- **In his first term, Lula adopted a fresh, participatory style of governance that eventually pushed Brazil towards stagflation.**
- **Putting the monetarist policies behind him, Lula launched an aggressive Growth Acceleration Programme (PAC) in his second term and Brazil registered a growth rate of 5.4 per cent in 2007.**

In his second term, Lula changed from a cautious anti-inflationary policy to an aggressive growth path. Putting the monetarist policies behind him, Lula launched a Growth Acceleration Programme (PAC) that envisaged an investment of close to $300 billion till 2010 with a five-point target including boosting infrastructure measures such as public housing.

According to the economic performance figures from Brazil's statistics agency IBGE, the country has over achieved Lula's agenda registering a growth rate of 5.4 per cent in 2007. This has obviously come at a price, rekindling fears of inflation and the possibility of the Central Bank imposing higher interest rates.

### Polls Without Lula

On a feel-good note, the Republic now is preparing for the next big election in 2010. And for the first time since 1989, Lula's name will not be among the Presidential hopefuls since the Constitution debars the President from running for a third consecutive term of office.

The right wing opposition believes that it will win the next presidential elections without Lula. Many of the parties that compose the ruling coalition believe that, without Lula, PT will be forced to support a presidential candidate from another party. The media, however, has been speculating that the PT might decide to back a constitutional amendment that would allow Lula to run for a third term in 2010. But PT seems to have rejected that option with Lula himself pointing out that "You don't change the rules in the middle of the game."

As the Workers Party gears up to face the challenge of the right wing led by the PSDB, Brazilians by now have resigned themselves to a Brazil without Lula.

*gurbir.singh@abp.in*

# Sizzling Samba!

**by Rajeev Kumar**

**The annual Carnival in Brazil is vital to its tourism economy**

THE VERY MENTION OF THE BRAzilian carnival inkles pictures of beautiful women clad in fantasy clothing gyrating relentlessly to samba. But behind the scenes, the Carnival is more than just the swirling dancers we see on television or in news photos. It is a vital source of employment and a key revenue generator for the country's tourism industry.

Though the Carnival is celebrated in many Brazilian cities such as Sao Paulo and Salvador, it's Rio de Janeiro where it is organised on the largest scale. Rio's famous white sand beaches including Copacabana and Ipanema make it a tourist hot spot. Surrounded by beautiful blue mountains and huge rock faces such as the Sugar Loaf Mountain and the Mount of 'Christ the Redeemer', Rio also boasts of the famous Maracana stadium where Pele learnt to dribble, and finally played for Brazil in the 1958 World Cup football finals. But more than anything else, the city is about its bubbly people, affectionately called Cariocas.

## People Parade

Cariocas are known for their well-toned bodies and attractive features. It is the Cariocas who make the Rio Carnival a success.

The Carnival involves the entire city. There is no division in terms of rich or poor, caste or creed, white or black for the five days of fun. Everybody joins in to make the event a success; and everyone swears to surpass it the next year.

I too got a chance to be part of the annual bonanza in 2007, and what I experienced was simply phenomenal. The heaving, shaking mass of Brazilians danced the samba all night on Copacabana beach and yet yearned for more.

The Carnival has emerged as a global event

**SEA OF COLOURS:** More than a dozen Samba schools compete in the annual Carnival parade in Rio de Janeiro

where millions of rials/dollars are spent and made. There are more than 80 samba schools and more than a dozen big ones compete with each other during the Carnival, in the specially designed stadium called the Sambadrome. The 2007 Carnival drew as many as 700,000 tourists and revellers each day, organisers estimated. The climax of the Carnival is the colourful Sambadrome parade where spectators are dazzled by the floats and the gyrating, decorated dancers.

AP

HOT-SPOT: Samba dancers with their sensuous movements and barely-there costumes are major crowd-pullers

### Raking in the Moolah

Each samba school spends around $1 million for the 80-minute parade. During Carnival 2007, at least three samba schools chose Africa as their theme, and set up elaborate floats displaying the continent's rich costumes and culture. Great theme music, colour and technology were all put to use. Every aspect of the night parade was practised to perfection. It's quite a feat for 10,000 people to dance as part of a single team for two hours!

The Carnival is big business in Rio de Janeiro's shanty towns, home to the city's 12 top-tier schools and the dozens of others that parade in the lower divisions. The schools employ thousands of seamstresses, painters, designers and musicians along with small armies of musclemen to push around the huge floats.

AP

And while many samba schools have been funded by criminals who run Rio's hugely popular illegal number games, Brazilian corporations are increasingly bankrolling the samba schools. Costumes and rehearsal tickets pay for the rest.

The tourism industry offers visitors a spot in the samba parades, too, but for a price. For those wanting to live out the emotion and excitement of the Carnival celebration, a hefty fee can buy membership of a samba school and, therefore, participation in the parade, which involves being draped in the school's distinctive colours and uniform. For the tourists, there is a guide that runs them through the 80-minute extravaganza. And if they still have any breath left, they can slump down in the Sambadrome and watch the other Samba schools trooping in!

### Stiff Competition

The competition is so intense among the samba schools that they begin preparing for the next year's carnival once the current carnival ends. It's also big competition among the corporate houses and multinational companies that vie to grab the sponsorships for the popular schools. While the schools get limitless funding, the sponsors and their brands get a huge return on their investment.

The Carnival has turned Rio into one of the most frequented tourist destination of the world. In the 1960s these schools created the Association of Samba Schools to infuse professionalism and making the Carnival a world-class event. More than one million tourists visit Rio during carnival time. The more adventurous tourists do the Carnival cruises too, where they hop from the San Salvador Carnival in the north to the smaller Sao Paulo Carnival and finally sail in to experience the biggest of them all, the Rio Carnival.

### Rio Rocks

The Carnival means a lot to the city. The year-round preparation for the event translates into millions of jobs. For Rio's large slum population, music and dance has become a source of employment. All the five-star hotels in Rio are overbooked even after they put a premium of 500 per cent on their normal rate during festive season. The Samba schools in Rio create more than 50,000 permanent jobs and rake in $100 million a year.

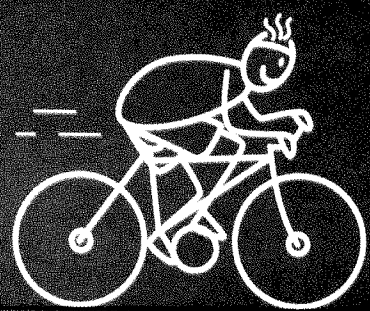
Carnivals in Recife, Salvador and Sao Paulo too try to match the fanfare of the Rio extravaganza. The Salvador Carnival is a big event and boasts a carefree 'street' spectacle where spectators are encouraged to become participants. None can resist dancing to the carefree 'Baiana' tune of Samba in Salvador when celebrity singers croon on top of a moving train! But none can match the crowds and the sheer spectacle that Rio puts up at Carnival time.

---

The author is India's Consul in Sao Paulo. The views expressed in this article are his own

# The gap keeps widening

## IRS, NRS & ABC all confirm that

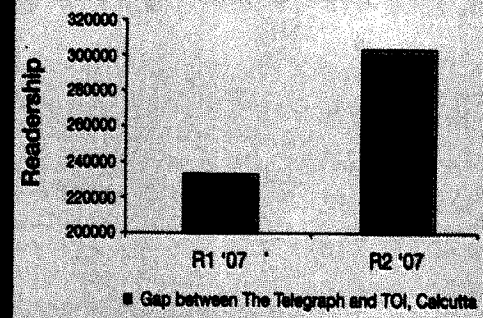


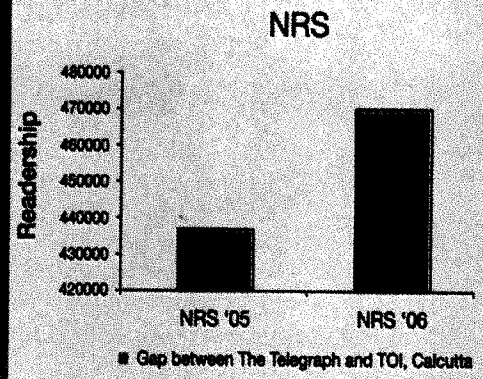
Circulation or readership, The Telegraph is always ahead of The Times of India, services. And the gap is increasing everyday. Because figures can only confirm, what people have to say.

**The Telegraph**

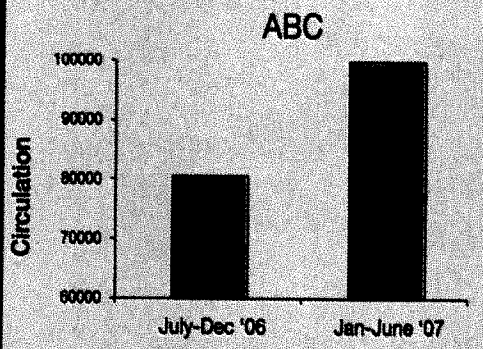
*Unputdownable*

## Widening Gap in Readership




## Widening Gap in Circulation




*Figures for Calcutta only.*

3052.2008

ANTHROPOLOGY

# Know Your Origins

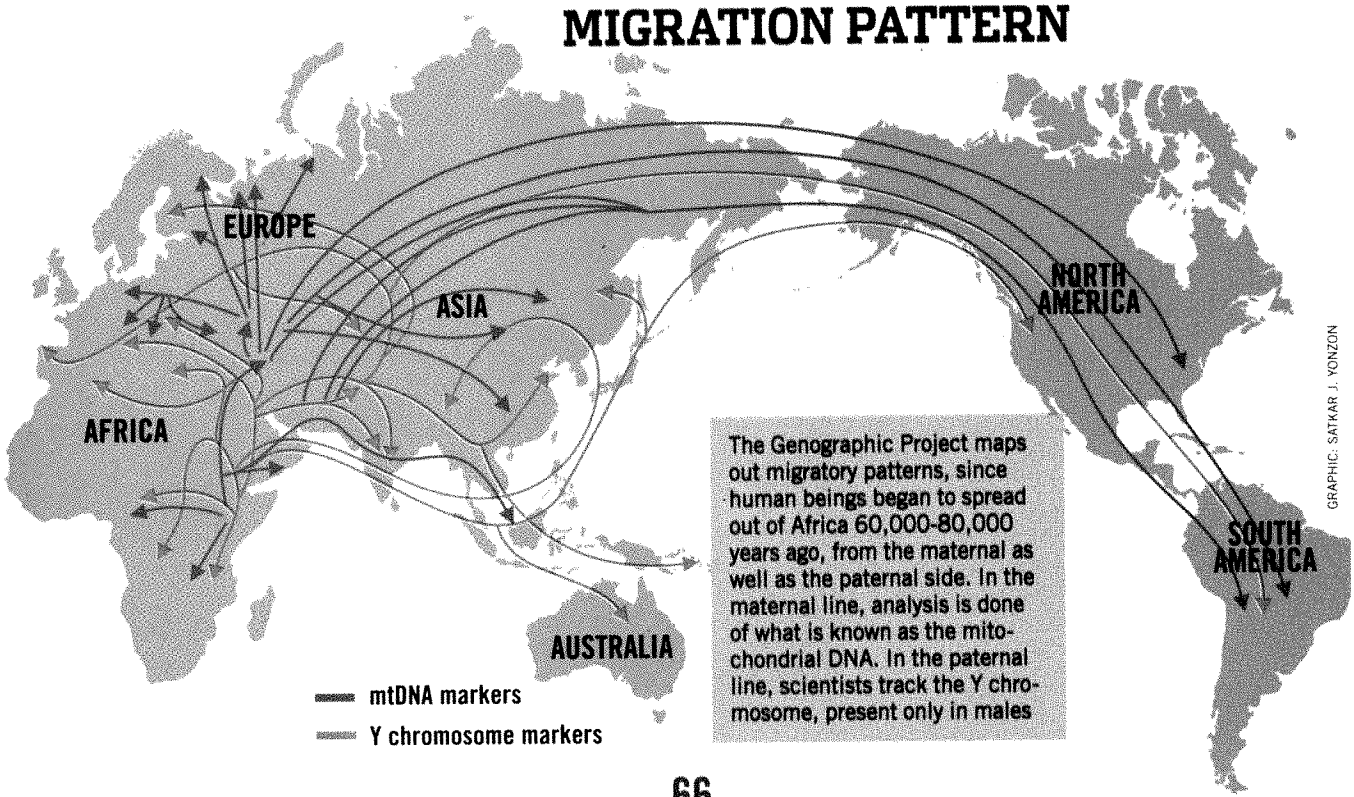
**The secrets of human evolution from the Genographic Project**

HUMAN BEINGS MAY NOW BE MASTERS OF THE planet and the species that controls its destiny, but they nearly became extinct 70,000 years ago. At that time, there may have been only an astonishing 2,000 human beings living on the planet. Even these 2,000 people may have consisted of two distinct lines of human beings, and these lines had been evolving separately for about 60,000 years. This separate evolution continued till probably about 40,000 years ago, when favourable climatic conditions led to an expansion and merging of the lines.

These and other interesting facts about human evolution have been unearthed by the Genographic Project, a joint venture between National Geographic, IBM and the Waitt Family Foundation. The project had started two and a half years ago to map out human migratory patterns. Some of the key events of the migration seem to be very clear: human beings began to spread out of Africa around 60,000-80,000 years ago, went to Asia soon after, came to Australia 50,000 years ago, and to North America about 15,000-20,000 years ago. However, we do not know much more than that. For instance, precisely how did they migrate? And what happened in Africa before this migration started?

The Genographic Project collects genetic samples from all over the world. It has set up 11 collection centres worldwide, and these centres have collected over 60,000 samples so far from specific tribes in the world. Moreover, it encourages the public to provide samples of their genetic make-up — a painless swab — to these labs. So far, the project has received 250,000 samples from the public. The project scientists then analyse this data to find out about how human beings migrated. If you participate, you could discover your genetic history and how your ancestors reached where you live.

The analysis is done on two lines: the maternal line and the paternal line. These two lines are treated exclusively, and one person can test for only one line. In the maternal line, the scientists analyse what is known as the mitochondr-



ial DNA. In the paternal line, scientists analyse the Y chromosome, present only in males. Within the mitochondrial DNA and the Y chromosome, there are about 20 regions — unbroken stretches of DNA — that are used like markers. Analysis of these markers will tell the interesting story of our migration.

The mitochondrial DNA is one of the most unique tools available to an anthropological geneticist. Normal DNA is present inside the nucleus. The mitochondrion is the place where a cell generates its energy, and it lies outside the nucleus. "We look at mitochondrial DNA because it is passed on with little change from mother to child," says Ajay Royyuru, head of computational biology at IBM. In fact, the mitochondrial DNA can be mathematically traced back to one woman who lived around 140,000 years ago in Sub-Saharan Africa, but that is a different story.

While public participation was critical to the success of the project, scientists were also interested in some tribes of southern Africa. These tribes, called separately as Khoi and San and together as Khoisan, sometimes called Bushmen, comprise the most diverse groups in the world from a mitochondrial DNA point of view. Their way of life closely resembles that of human beings before they learned to practise agriculture (remember the movie *The Gods Must be Crazy*). The Khoisan are closely related to each other but quite distinct from everybody else in the world. So they are thought to be the oldest human group that diverged. They may have preserved the genetics and culture of our ancestors.

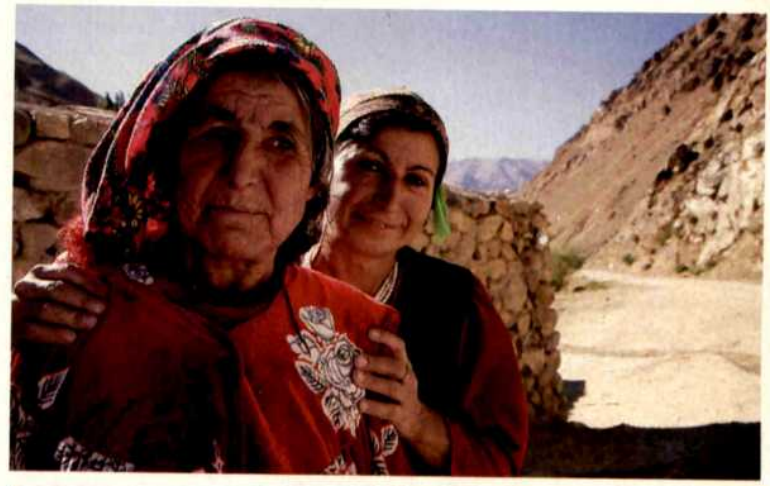
Scientists at the Genographic Project found some fascinating facts about human history by analysing the mitochondrial DNA of Khoisan. The human species had split into two lines about 130,000 years ago. The Khoisan had separated from one of these lines not more than 90,000 years ago.

The most intriguing fact is the parallel existence of the two lines from about 130,000 years ago to about 40,000 years ago. Human beings are supposed to have arisen about 200,000 years ago. This piece of research shows that for half of their history, *homo sapiens* remained as two separate lines. Still neither of these two lines evolved into a separate species. No one knows how long it takes for a hominid to evolve into a new species, but 100,000 years seem to be enough for such evolution. Why did *homo sapiens* remain as a single species?

We have some evidence about why these lines split, and why human beings were nearly driven to extinction. The reason is climate change. In those days, human population was restricted to Africa, and this continent went through a series of droughts. This made life difficult and made the numbers shrink. Stanford University researchers had recently suggested that human beings had numbered around 2,000 just before the late Stone Age, and the Genographic Project substantiates this theory.

As the Genographic Project progresses, the scientists hope to find some answers and pose more questions. It would also find other interesting facts, and use genetics to corroborate or dispute other historical findings. For example, it found that the Christians in Lebanon are genetically related to the Europeans and the Muslims are related to the Arabs. This is exactly what historians would say, because the Christians there were descendants of the Europeans who came to Lebanon during the Crusades. The Genographic Project could also find out where the Indians came from. But would that finding be politically correct?

P. Hari in San Francisco
*p.hari@abp.in*



PHOTOGRAPHS COURTESY: NATIONAL GEOGRAPHIC

**DIFFERENT FACES OF LIFE: Human beings in Tajikistan, Chad and Alaska (clockwise)**

# Tech Talk

## SCIENCE BUZZ The fortnightly update on innovations and tech policies

### Funky Fungus

Fungus *T. reesei* rose to dubious fame during World War II when the military discovered it was responsible for rapid deterioration of clothing and tents. The organism uses a minimum number of enzymes to efficiently break down complex fibres of plants into the simplest form of sugar before digesting them. Today, it may hold the key to improved bio-fuel production. Teams at Los Alamos National Laboratory and the US Department of Energy Joint Genome Institute tapped into the genetic sequence of the fungus and are studying the enzyme producing genes.

### Nano Computing

The first step towards building a nanomechanical computer — based on mechanical rather than electrical operations — was taken by scientists at Japan's NTT Corporation when they took the 50-year-old Parametron to nano-scale. The Parametron has an electrical circuit that can oscillate only two ways, exploited to enable binary logic. The nano-scale Parametron is an electromechanical oscillator with a micrometer bridge-over-gap structure.

When an alternating-current voltage, matching the bridge's natural frequency, is applied across the bridge, it oscillates. This movement can then be used to store information as bits. While nanomechanical computers would never be as fast as transistor-based ones, they would be more resilient to electromagnetic shock and more energy efficient.

### Databasing Water

A flood of data on water quality and quantity is collected daily. Most of these

databases, however, are incompatible with each other. A team of researchers and software developers with the support of National Science Foundation (US) are developing a Hydrologic Information System. That could help answer key questions about the country's water supply.

## HOW THINGS WILL WORK

### Striving for artificial photosynthesis

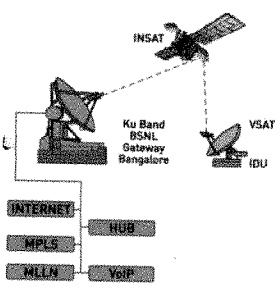
GOING ARTIFICIAL: Developing effective photosynthesis techniques in the lab could help cut down carbon dioxide deposits

ILLUSTRATION: ANTHONY LAWRENCE

QUITE A BIT OF INNOVATIVE TECHNOLOGY has come from attempts to imitate or improve upon nature. However, human beings have not been able to replicate even in a rudimentary form some of the most elegant and critical processes in nature. Photosynthesis would come at the top of a list of such processes. Photosynthesis is a simple chemical reaction. It involves oxidising and splitting water with energy from sunlight, and then using the resulting hydrogen and carbon dioxide to create energy-rich compounds usually called food. Oxygen is a by-product. If human beings could do this in a lab, we could drive down atmospheric carbon dioxide concentrations. Many scientists have now achieved limited success at this attempt. The world's first artificial photosynthetic system was purportedly made by the National Institute of Advanced Industrial Science and Technology in Tokyo, Japan. It used a chromium-platinum-strontium catalyst to help sunlight split water. Last year, scientist Markus Antonietti and his colleagues at the Max Planck Institute for Colloids and Interfaces demonstrated a system without using a metal catalyst. Last month, a German-US team came closer to solving another common problem in such systems: as water splits, the oxygen damages the catalysts. Scientists at the Julich Institute of Solid State Research in Germany and Emory University in Atlanta made stable catalysts that oxidise water while remaining stable. Several countries are investing heavily in this technology. Australia has made it a national priority. We could have a breakthrough in this field in the near future.

BSNL
VSAT

# BSNL's VSAT on single platform is an EXCELLENT NETWORKING SOLUTION for Corporates, Banks, Hospitals, Stock Exchanges, Educational Institutes, Government Bodies IT Companies, BPOs, SEZs, NGOs & Many More.




## BSNL's VSAT Service

## A Shortcut to Deliver Faster

BSNL's VSAT provides a high-speed broadband connectivity for Wide Area Networks and Internet access. This IP based state-of-the-art VSAT Broadband Service with multi-features is a boon for voice and data transfers. Moreover, it facilitates quick network deployments even in the inaccessible and remote areas.

Now make your business grow many folds.

BSNL
Connecting India

www.bsnl.in

For more details contact us (toll free) on 1800 425 2727 or email to kubandvsathub@bsnl.co.in

HEALTH

# Magical Cure

REUTERS

**FEELING LIFE:** A specially-trained dog communicates with a patient in Israel

**An Indian researcher in Germany gives hope to Alzheimer's patients**

IT MAY BE ONE OF THE most studied diseases in human history, but a cure has so far eluded Alzheimer's disease, a debilitating old-age neurodegenerative ailment that afflicts 25 million people worldwide. An antidote for this most common form of dementia may be finally in the offing, thanks to ingenious efforts by a young Indian researcher in Germany.

Lawrence Rajendran and his colleagues at the Max Planck Institute of Molecular Cell Biology and Genetics in Dresden have devised a novel strategy to obstruct beta-secretase, the rogue molecule implicated in the build-up of plaques (deposits of beta amyloid peptide) in the brain. These plaques lead to progressive degeneration of mental faculties including memory and cognitive functions and, finally, senility and death.

Scientists know well that beta-secretase works by chopping down a bigger precursor molecule called amyloid precursor protein, leading to the release of harmful beta-amyloid, which then form the plaques. They know that if they can develop a drug that can curb the activity of beta-secretase, they may hit a jackpot. Expectedly, there are several beta-secretase inhibitors already in the clinical pipeline. For instance, pharmaceutical giants such as GlaxoSmithKline and Bristol-Meyer-Squibb have already identified molecules that can act as beta-secretase inhibitors.

Rajendran's approach, however, is completely different. "Interestingly, most of the time beta-secretase is an innocent bystander," says the researcher who dropped his doctoral studies at the Indian Institute of Science in Bangalore about six years ago for research abroad.

His two-year study of beta-secretase was a revelation of sorts. Rajendran found that the molecule, which is otherwise found in the cells of many organs, assumes a villainous form only when it is inside a tiny compartment in the brain cells called endosomes. "We realised that this is the right place to attack the enzyme," says Rajendran. Although the drug that the Max Planck team designed is not the first one to target the enzyme, it is the first one to do so in the right place.

What is also unique about the approach — which Rajendran believes could be a "proof-of-principle" for targeting many other dreadful diseases — is that it seeks to pinpoint the location where drugs are needed.

"By directing inhibition to the sub-compartment where the enzyme is active, the approach has the potential to be used in the design of more effective beta-sectetase inhibitors," says Kai Simons, a co-author and his mentor at the Max Planck Institute.

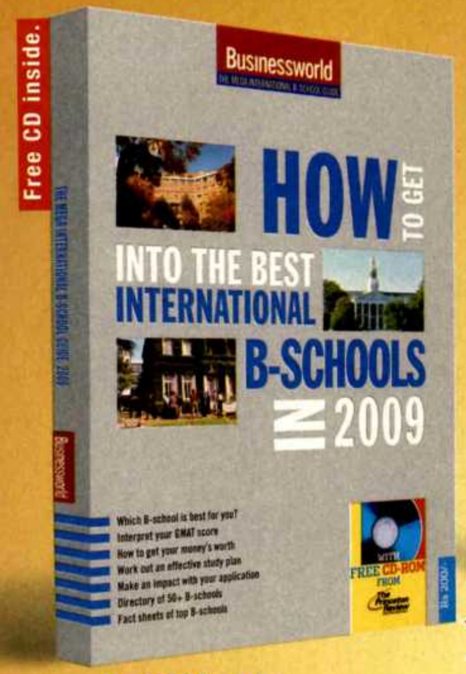
"The novelty of the work is that it tries to use lipid rafts as a drug target. This is a hot area of research," says Vijayalakshmi Ravindranath, director of the National Brain Research Centre in Gurgaon.

The technique has been transferred to an up-and-coming therapeutic firm called JADO Technologies GmbH, co-founded by Simons about six years ago. The firm, which derives its name from the Hindi word for magic, *jadoo*, plans to develop treatments for other incurable diseases. Meanwhile, the Max Planck researchers are conducting further safety and efficacy tests in animals and they hope to make the technique ready for human trials in two years.

T.V. Jayan

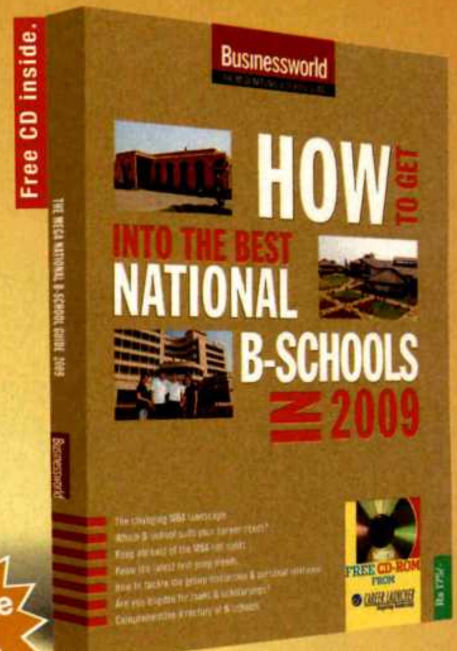
songs that bring back
those great memories.
friends 91.9 fm,
just like the old times.
91.9fm
friends
bondhu...tomaar jonyo
come together with friends
BATES DAVID ENTERPRISE 2655

# How to choose the right MBA.




**Rs. 200/- only**

On sale now.




**Rs. 175/- only**

## Businessworld presents comprehensive B-school guides for MBA in 2009.

Two excellent guides for all those aspiring to get into the best B-schools in India and abroad. These step-by-step guides contain all the useful update, required to get into the best MBA program.

All new, updated contents: Best B-school campuses • How to crack CAT, GMAT and other important entrance tests • Financing the MBA • Personality development and more • BW ranking on the top 50 B-schools in India and abroad • Alumni reports • The best coaching institutes • Application for foreign B-schools • Visa counselling and much more

**Businessworld**

**To buy your copy fill this form and mail it to us:**

Name: Mr/Ms Address:

City: State: Pin: Tel.:

Mobile: E-mail: Date of Birth: Education:

Occupation: Company Name:

Designation: Please tick the desired option: 1copy for Rs. 200/- 1 copy for Rs. 175/-

Cheque No./D.D. No. **(In favour of ABP Pvt. Ltd.):** ____________ Dated: ________ for Rs. ______ or charge the total amount of Rs. ________

credit card. VISA Card No.

Card member's name: ____________ Card expiry date: Signature: ________ Date: ________

Mail this coupon along with Cheque/D.D. for Rs. ________ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-2

e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel.: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel.: 022-24962587; Kolkata: Sandip Biswas, Tel.: 033-226 00745; Bangalore: Partha Bhadra, Tel.: 080-25
Chennai: L Pradeep Raj, Tel.: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel.: 040-2331 7147.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. All disputes are subject to the exclusive jurisdiction of competent courts ar in Delhi/New Delhi only.

**For trade enquiry please contact UBSPD branches at:**

New Delhi- (011) 23273601-04, 23266646; Bhopal- (0755) 5203183, 5203193, 2555228; Mumbai- (022) 24962601-09; Bangalore- (080) 22253903, 22263901, 22263902; Chennai- (044) 23746222, 23
Ernakulam- (0484) 2353901, 2363905; Kolkata- (033) 22521821, 22522910, 22529473; Patna- (0612) 2672856, 2673973, 2686170; Lucknow- (0522) 2294134; Pune- (020)- 4028920; Hyderabad- (040) 232

MUSIC

# Indian beats

**Ambitious Indian bands are now storming the hyper-competitive global music industry**

IN THE 1970S AND 1980S, HIP YOUNGSTERS mostly formed cover bands as a hobby or just to be cool. There was no real market for English music and recording deals were as rare as the missed notes in an Eric Clapton solo. Now, ambitious Indian bands wanting to make it in the hyper-competitive global music industry are travelling the world to spread their music.

Soulmate, a Shillong-based blues band, competed in the 2007 International Blues Challenge in Memphis, Tennessee, and made it to the semi-finals. Organisers of the Grand Country Blues Festival in Colorado, who saw the band perform, have also invited it to their event this June. "Playing American genres of music to the Americans in America is a bit daunting the first time one walks onto the stage, and even the audience there initially expects an Indian band to turn up with sitar

AMIT VERMA

**NO STOPPING THEM:** Menwhopause has struck a chord with foreign listeners

**GOING PLACES:** Thermal & A Quarter, a Bangalore-based rock band, has done gigs in Dubai and Glasgow

and tabla," says Rudy Wallang, Soulmate's singer, songwriter and guitarist. "However, once you start playing and the audience begins to connect with the music, nobody cares where you are from."

Menwhopause, a Delhi-based psychedelic rock band, has also struck a chord with foreign listeners. The band just did a ten-gig tour of the US, where it also participated in the South By South West rock festival in Austin, Texas. It was the band's third trip to the world's biggest and most competitive rock music market in two years. "Guess we did well enough, as we had fans following us from Austin to New York," says Anup Kutty, the group's lead guitar player. Next month, Menwhopause will also be playing across Canada, and come September, the band will be off to another challenging frontier — Pakistan.

Then there is the electronica band Jalebi Cartel from Delhi that has performed in Seoul. Thermal & A Quarter, a Bangalore-based rock band, has done gigs in Dubai and Glasgow. A Delhi band, Themclones, has performed at JD Set International Festival in London.

The emergence of these bands is linked to a transformed live music scene in India. Now there are more places to perform than ever before. Delhi-Gurgaon-Noida has become the golden triangle of Indian rock, with almost 20 pubs and restaurants that feature live bands. Instead of playing covers as in the old days, most bands are creating their own compositions.

Support for this has also come from liquor brands such as Jack Daniels and Kingfisher, which are increasingly funding music contes and festivals around the country.

Some bands have also found private benefactors, such as Kiran Sant of the Haze Bar in Delhi. He hunts for good blues and ja bands, and has been instrumental in the progress of Menwhopause and Soulmate. In fact, Menwhopause intends to name its third album 'Haze' as a homage to the pub that ga it the initial exposure. "Until last year, I depended almost entirely on my musi studio at home to pay the bills," says Soulmate's Wallang. "But now there are so many gigs happening that I spend more tha half my time travelling with the band."

The boom notwithstanding, bands still complain about the attitude of the record labels and gig organisers. Even the best kno bands get paid merely Rs 25,000-30,000 fo corporate gigs and about Rs 15,000-20,000 for pub gigs, though the pubs and sponsors pay several times that money to intermediaries.

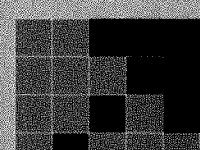
Unlike in the West, in India, bands do no get a cut from pub's receipts from alcohol sa or a cut from ticket sales of a show. Bands al find record contracts too stifling and almost of them now release their music on the internet. It gives them global exposure and helps them get gigs in India and abroad. "Creative freedom and earning opportunitie need to be balanced if a band has to generat fan following and last long," says Satish Warrier, manager of Menwhopause.

Rock on boys, rock on.

*Feroz Ahr*

# Our compensation is based on your growth. Not ours.

TELL THE WORLD WHAT A GREAT WORK PLACE YOUR COMPANY IS.
This exclusive section in Businessworld (in partnership with ClickJobs.com) is your opportunity to attract talent that means business. Showcase your strengths and vision to build an HR brand. Finally, HR gets a voice!



PURPLE PATCH

For research and value added services write to : purplepatch@bworldmail.com. For advertising enquiries: North: Meenakshi Jha (meenakshi.jha@abp.in, +91 9899043937) East: Aniruddha Chatterjee (aniruddha.chatterjee@abp.in, +91 9903385226) West: Suprokash Mukherjee (suprokash.mukherjee@abp.in), +91 98191 49454) Bangalore: Bharat Srinivasan (bharat.srinivasan@abp.in, +91 98862 90197) Chennai: R.V. Praveen (r.v.praveen@abp.in, +91 98840 14966) Hyderabad: Amit Sinha (amit.sinha@abp.in, +91 9849426157)

BATES DAVID ENTERPRISE 1585

## Entertainment

### TAKE THE MUSIC ALONG

AMIT VERMA

HUM ALONG AS YOU SURF the Web — no more just the vacuous tick-tack of the keyboard to accompany your hours on the internet. Indian social networking sites, such as *Fropper.com* and *Minglebox.com*, are offering streaming music — both Indian and western — that plays in the background. The music is free, and you can create your own playlists on such sites, but you cannot download the music. The Indian music industry has learned to make money from the culture of the free on the Web.

It has extended its royalty business model of radio play to the Web and charges the websites on per play basis. For example, Fropper has a licensing deal with *Phonographic Performance Ltd*, which represents the music companies, and *Indian Performing Rights Society*, which collects royalties for the composers and lyricists. "Music companies' concern is how to monetise the IP they have created," says Navin Mittal, business head of Fropper.com. Agrees Kavita Iyer, CEO of Minglebox.com: "Music companies are looking for multiple channels of distribution."

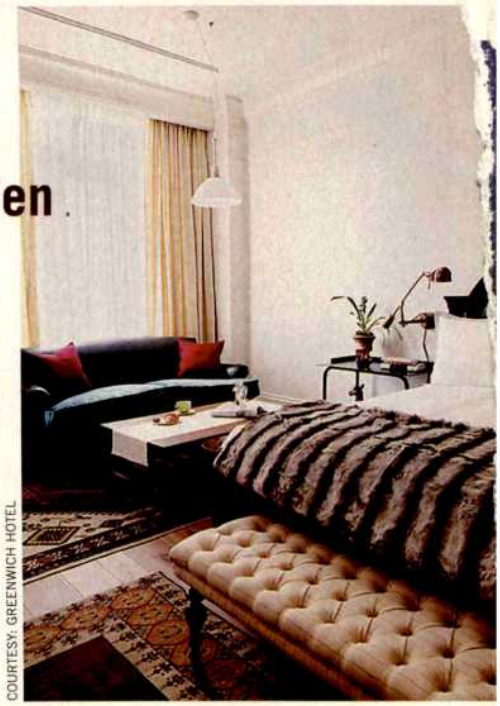
Still, Indian music industry is stuck in the past as far as its deals with social networking sites are concerned. In the US, the music companies have already moved on to the revenue-sharing model that does not burden the websites with the per play charge. Instead, the music companies take a portion of the advertising revenues of the website.

Royalty or revenue sharing, music is free for the users, and for them it is as good a deal as it gets.

*Alokesh Bhattacharyya*

### LUXURY

## De Niro's Den



COURTESY: GREENWICH HOTEL

**ULTRA LUXE:** A suite in this eight-storey hot starts at $1,350 a nig

RECESSION AND SUB-prime crisis are not for the guests staying at Robert De Niro's recently opened ultra-luxury Greenwich Hotel in the Tribeca neighbourhood of New York City. The 13 suites in this eight-storey hotel start at $1,350 a night and the other 75 rooms at $750. The penthouse is not on the rate card.

All suites come with a chef's kitchen and sauna baths, and have 30-ft skylights. Luxury is laid out wall to wall in the shape of hand-woven Tibetan rugs that cover the oak floors.

The hotel is also home to the New York branch of chef Agostino Sciandri's AGO restaurant chain in which de Niro, *Gladiator* director Ridley Scott and Hollywood mogul Harvey Weinstein are also partners. The food and waiters, you guessed it, are Italian. The courtesy is detailed: when you return to your table from the bathroom, your napkin will have been refolded.

The opening could not have been timed better: about three weeks before the 23 April start of the Tribeca Film Festiva another event that D Niro launched soon after the 9/11 attack Expect to bump into lots of celebrities and Hollywood type when you stay there

**Monumental Luxury:** Independence of the Seas, the cruise ship with 4,375 berths, has drawn comparisons with the Titanic for its size

AP

ETAWAY

# 'rez retreat

KE ALL OF US, residents and olitical leaders need ) de-stress too. resident George ush did it by earing his ranch in rawford, Texas, of rush and weeds. ometimes, he invites is counterparts from ther countries to amp David in New lampshire, mixing ıe business of ıternational elations with a little leasure. The late ajiv Gandhi relaxed n the beaches of the akshadweep islands.

Now, the idea of a e-stressing ıvironment is being ken a step further. onna Vassar, who elongs to the ynasty that founded ıe women-only assar College in ew York to rival ale and Harvard, is anning to build a 300-million private taway for the ressed-out presidents and prime ministers who want to rest, reflect and recharge their batteries.

The Universitas Leadership Sanctuary will be part monastery, part conference centre and part getaway. It will include libraries, meditation rooms and debating chambers.

Vassar's plan may remind cynics of the Pink Floyd song 'The Fletcher Memorial Home'. Penned by Roger Waters, who lost his father in WWII, the song dreams of sending all leaders to live in a home, where they can satiate their egos by playing war games like children instead of waging real wars:

*Take all your overgrown infants away somewhere,*

*And build them a home, a little place of their own.*

*The Fletcher Memorial Home for Incurable Tyrants and Kings*

**AKSHADWEEP:** lands where late Rajiv ındhi de-stressed

BON VIVANT

# Bathroom luxury

YOUR BATHROOM NEED NOT BE JUST A FUNCTIONAL space. You could convert it into a retreat from everyday stress, a luxurious little spa. The faucets, bathtubs and showers can be your style statements. You may also consider installing a towel-warming cabinet, wall illuminaires, aromatic candles, and even a lounge chair to relax while waiting to wash the face pack.

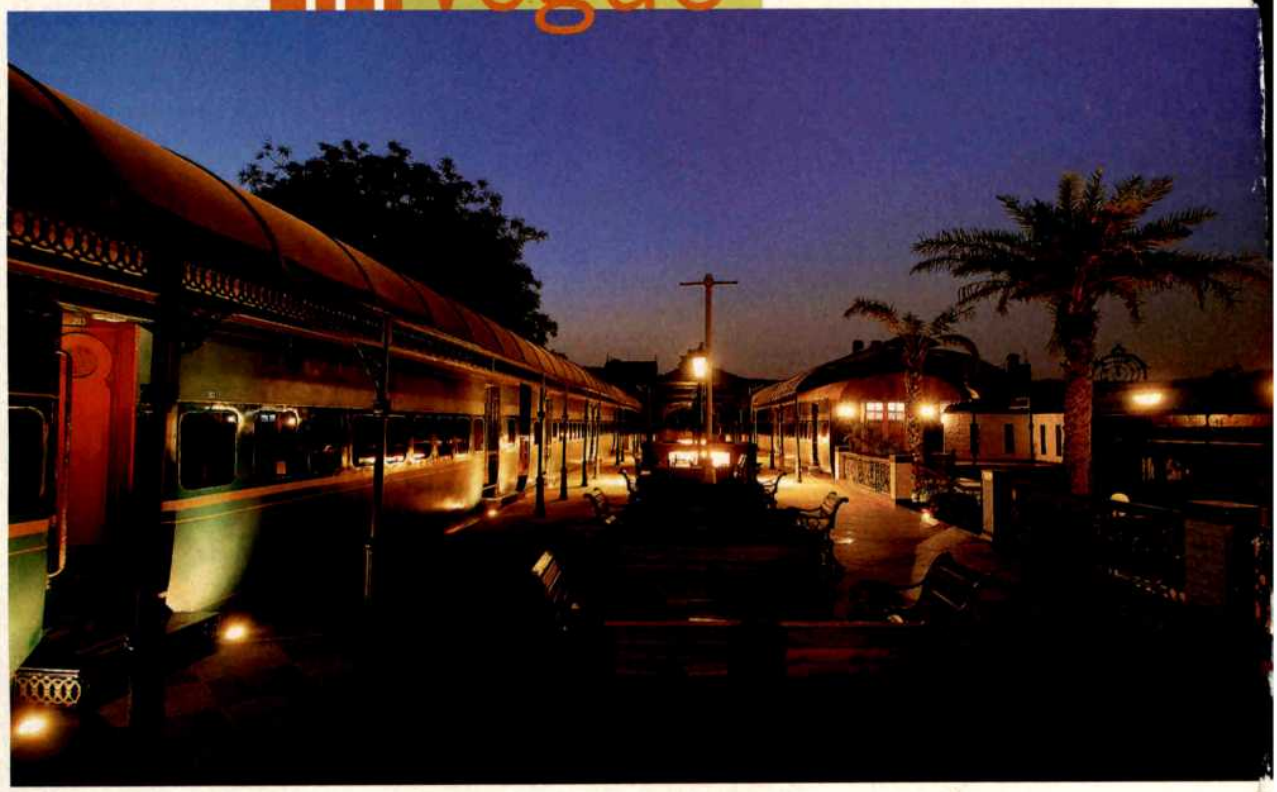
You can replace the ordinary sprinkler of a hand or overhead shower with a full-body multi-jet shower with integrated steam generator. German firm *Duravit* makes a steam shower glass cabin with adjustable seats and integrated aromatherapy and chromatherapy systems.

Still, there is nothing more relaxing in a bathroom than the bathtub. Go for a tub with whirlpool or air bath systems. American-Canadian company *BainUltra* makes Ayoura Airbath systems that, it claims, ease back aches and arthritis.

For those who feel guilty using a lot of water in the bathroom, there are environment-friendly faucets such as the EcoPower Senor Faucet made by *TOTO* of the US. This high-tech faucet not only turns on and off using a sensor, it utilises the kinetic energy of the flowing water to power its sensors.

So, pamper yourself by investing in your bathroom — don't just cleanse yourself, treat yourself to a spa treatment at home.

PHOTOGRAPHS: © DURAVIT AG



HOSPITALITY

# Resort on wheels

**This 24-room resort is built like a Victorian train station**

IF YOU DO NOT HAVE THE TIME OFF TO JOURNEY on the Palace On Wheels or the Orient Express, try Liverpool Terminal, a novelty theme resort in Gurgaon. This 24-room resort is built like a Victorian train station.

Though the train theme has been popular with restaurateurs around the world — there is the 2Toots Train Whistle Grill restaurant chain in the US that uses toy trains to deliver food at guests' tables, and the Orient Express restaurant at Delhi's Taj Palace Hotel is designed like the coaches on Europe's most luxurious train of the same name — Liverpool Terminal has taken it to another level.

The Terminal has all the railway paraphernalia — gleaming tracks, signal towers, old-fashioned platform, lamp posts with lanterns, and cast-iron benches. The decor of each of its seven saloons mimics the royal grandeur of the coaches of the Palace on Wheels. The saloons rest on rails and the train also has a faux steam engine. One of the saloons serves as the 'dining car'. The 'platform' serves as the lounge.

**TRAINSPOTTING**
Liverpool Terminal is for those who are tired of being holed up in boxes

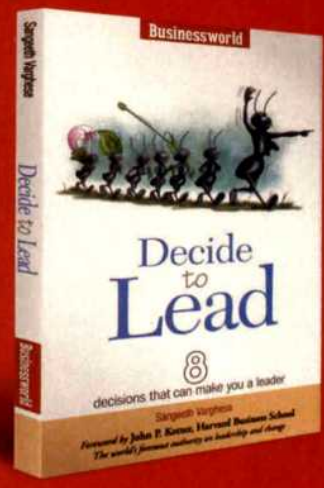
Puneet Gupta, the managing director of Tivoli Garden Resorts, the company that own Liverpool Terminal, is targeting travellers wh are tired of holing up in boxes and want to ad romance and style to their stay.

If you think of Liverpool Terminal as a theme taken too far, you are clearly off the mark. Consider staying at Jules' Undersea Lodge in Florida — an aquatic theme hotel in a lagoon that can be accessed only by scuba-diving; or, if you are art-minded, try Fox Hot in Copenhagen where the choice of room wall ranges from those with psychedelic designs o the 1960s to those with Japanese Manga characters; or think of the Quarks in Las Veg where you dine amid a faux star field with huge spaceships hovering overhead.

Theme-based resorts are a risky marketing platform for the hoteliers, as they may please or repel guests. However, if they click, they have guests coming back for more. People queue up to stay in Sweden's Ice Hotel each winter despite the chill.

*M. Rajendra*

# NINE DECISIONS CAN MAKE YOU A LEADER. THE FIRST ONE IS TO BUY THIS BOOK.




By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

**Businessworld**
**YOUR UNFAIR ADVANTAGE**

**To book your order of "Businessworld Decide to Lead", fill this form & mail it to us:**

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ 5 copies for Rs. 1795/- (10% bulk discount)

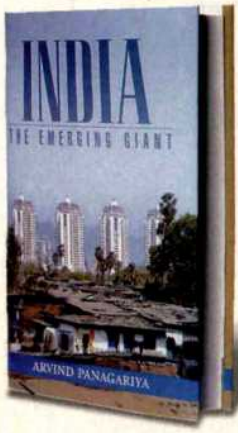
Cheque No./DD No. **(In favour of ABP Pvt. Ltd.):** _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

**Terms & Conditions:** No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.




# The Eternally Hopeful Liberal

by ashok v. desai

**INDIA THE EMERGING GIANT**
**BY ARVIND PANAGARIYA, OXFORD UNIVERSITY PRESS, PAGES: 514; PRICE: $49.95**

THE LAST COMPREHENSIVE BOOK ON THE INDIAN economy was written by Jagdish Bhagwati and Padma Desai in 1970; surprisingly, no one attempted to repeat their feat — not till Arvind Panagariya took up the challenge. Bhagwati and Desai had less than a quarter of a century of independent India to cover; Panagariya takes on twice as long a period. He is also more inclusive in his interests; sometimes it seems that nothing is beneath his attention. The result is a book of over 200,000 words. Panagariya says he wrote the book over at least two years; it is a tour de force.

Even 500 pages cannot tell the story of everything. Panagariya has selected five major areas. In the first part, he gives a broad narrative of economic growth over 1951-2006. Then he deals with an area of perpetual Indian debate: poverty and inequality. In the third part, he goes on to cover the macroeconomy. He then turns to some microeconomics, covering trade, services and agriculture. In the last part, he deals with government policies — and with reforms, which are his special interest.

Panagariya divides the period of 1951-2006 into four phases, based on the mean growth rate. Two phases are easily discernible: the growth rate suddenly and perceptibly accelerated after 1979. Is a further division into four justified? Beginning with the famine of 1965 India went through a harrowing time, which ended only after the second oil crisis in 1979; Panagariya turns it into a phase. And he is convinced that liberalisation led to a distinct acceleration of reforms after 1988; that gives him a fourth phase.

Poverty and inequality are staples of controversy in India, so it is not surprising to find them here. They have been such hardy perennials because the official sample surveys, which form the empirical basis of the debate, changed definitions a number of times. So no standard series of poverty and inequality on which everyone can agree are possible. These are the bedrocks of policy, so the Planning Commission keeps generating estimates. Private researchers dissect its figures endlessly, and add their own. The field has become intractable as a result. Panagariya painstakingly describes the changes in definitions and ways of dealing with them. He is more cavalier with inequality. He takes only recent figures, and covers recent studies without much scrutiny. But he adds useful, short reviews of unemployment, agricultural wages and farmer suicides.

In the third part, Panagariya takes up more interesting questions. He shows how India teetered into a crisis in 1991, and asks whether fiscal profligacy may throw it into another. He ends up with Patel and Buiter's conclusion that while the governments – central and state – may resolve to repair the fiscal deficit and legislate time paths to such repair, they can with impunity ignore and forget their own legislation. The point is not simply how close the Indian governments are to default, but how they managed to avoid it in the past. They have done so by forcible borrowing from the people through the cash reserve ratio and statutory liquidity ratio imposed on the banks, and expropriation of their wealth through inflation and negative real interest rates. These instruments have receded into obscurity after

**BROWSING**
**Surjeet Singh**
CFO, Patni

**I'm reading Profiting from Evidence Based Management by JEFFERY PFEIFFER AND ROBERT SUTTON. The book questions existing paradigms of business and reveals the potential harm of using them without adequate evidence. It urges managers to use 'logic' and 'facts' while making decisions rather than the newest management mantra. I normally read management books, especially those that capture experiences of business leaders and the actual application of management concepts.**

**ARVIND PANAGARIYA** is currently Jagdish Bhagwati Professor of Indian Political Economy and Professor of Economics in the School of International and Public Affairs at Columbia University. He is also a non-resident senior fellow at the Brookings Institution, Washington D.C. He was previously the Chief Economist of the Asian Development Bank and has also served the World Bank, IMF, WTO and UNCTAD

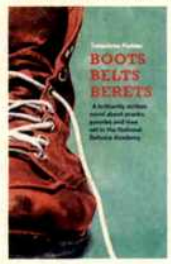
991; but the potential for policy-induced inflaion still exists and perhaps deserved greater iscussion. In particular, the cycles of inflation re of considerable macroeconomic interest.

Then Panagariya asks whether India, with its verflowing exchange reserves, is on way to captal account convertibility. On reserve accumuation, Panagariya takes an anti-monetarist tance and argues that it led to undervaluation f the exchange rate and higher growth of exorts. He is against full convertibility, so this art of the discussion is not very exciting. The ssues raised by the Percy Mistry Committee nd the Raghuram Rajan Committee have been gnored, presumably because the two reports ame too late for the book. I found the coverage f banking and monetary policy too descriptive nd insufficiently critical. It is not correct to say hat automatic monetization of deficits has een permanently stopped. The central deficit as come down, so it is easily funded by non-corcive means; and state debt continues to be aborbed by banks and monetized through the tatutory liquidity ratio.

The discussion of international trade could ave been deeper. India-China comparisons are ndlessly exciting to western economists. They re not unimportant, but there are other intersting issues. The opening up of the Indian conomy is the most important change in my ew that has occurred since the 1991 reforms. nearly killed the engineering industry; but it urvived and emerged much stronger. The harmaceutical industry built up exports and howed great promise, but then somehow pered out. India's cotton output has tripled in he past five years, and price has come down, ut it has not stimulated textile exports at all. These and other stories need to be covered.

The last part, on the government, is perhaps he most important from Panagariya's view; he eviews every area of government activity, asesses its performance and proposes reforms. I appen to believe that the Indian government is ssentially patronal and dirigiste. It was forced y the payments crisis and the consequent need or foreign aid to liberalize controls in 1991-93, ut it stopped liberalizing as soon as it got out of he Fund-Bank's clutches. The BJP government id liberalize further, largely for ideological reaons; but the succeeding Congress government s a throwback to Indira Gandhi. So in myview anagariya is preaching to the incorrigible; that e has devoted so much energy and passion to hese Sisyphean labours is an indicator of his mpeccable liberal credentials and indomitable ptimism. And perhaps because of this ainstaking analysis, his book is the best criique of the Indian economy available today.

**SELECTION 1**




## From Boys To Men

**BOOTS, BELTS, BERETS**
**BY TANUSHREE PODDER, INDIAINK/ROLI BOOKS, PAGES: 223; PRICE: Rs 295**

THIS IS A CHARMING COMING OF age tale in a unique setting. A bunch of disparate boys at India's National Defence Academy (NDA) find themselves pitted against a brutally disciplined system and sadistic seniors. There is the lover boy, Bertie, the stately Randy, the boringly earnest Pessi (short for pessimist), and Maachh, who is a genius at coming up with stupid plans. They grow from gawky adolescents into assertive adults on the sidelines of the draining drills and mortifying punishments. BOOTS, BELTS, BERETS is an autobiographical tale, written in first person by the author from the perspective of her husband, Pessi, who spent three years at NDA in the 1970s. The author has restrained from making her husband the hero and has kept it about the band of boys who grew into men at NDA.

*—Feroz Ahmed*

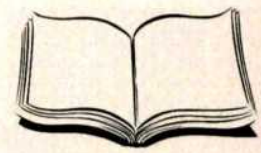
**SELECTION 2**

## Water, Water Nowhere

EVERY SUMMER, THE ACUTE problem of water shortage becomes all too apparent. And individuals, local authorities and governments point fingers and indulge in blame games which at times can and do lead to violence. What they should be doing instead is reading Nitya Jacob's **JALYATRA — EXPLORING INDIA'S TRADITIONAL WATER MANAGEMENT SYSTEMS** (Penguin). Jacob travels through Delhi, Tamil Nadu, Chambal, Shillong, Shekhawati, Goa, Uttarakhand and Bundelkhand in search of traditional water management systems and finds step wells, talais, underground wells, ooranis, shyngiar and gharaats and the men and women who continue to nurture them. Engaging and informative, the book is unambiguous in its assertion that we are all complicit in the degeneration of these systems and therefore must take on the responsibility of reviving them to ensure water security for our very survival.

*—Sumati Nagrath*

**ALERT**



**THE SHAPE OF THE BEAST: CONVERSATIONS WITH ARUNDHATI ROY**

**PENGUIN/VIKING**

**This is a collection of 14 interviews conducted with writer and activist at large, Arundhati Roy. Conducted between January 2001 and March 2008, the interviews bring together her thoughts and positions on issues of democracy, corporate power, conflict, development and peace. This integrated narrative includes her call for the globalisation of dissent as a way of countering corporate globalisation. The collection is bound to evoke strong reactions and get people thinking.**

# Vehicles In Reverse

THE MOTOR VEHICLE INDUSTRY MIRRORS THE slowdown in the economy. Between 2006-07 and 2007-08, growth in sales of passenger cars came down from 22 to 12 per cent. Car sales are stimulated by people abandoning two-wheelers and buying safer four-wheel vehicles. But obviously, the decline in overall growth hurt the fortunes of the upward-mobile middle class. Two-wheeler sales have done even worse; after growing by 11 per cent last year, they fell by 8 per cent in 2007-08. Two-wheeler sales have grown more slowly than car sales for a long time. The move of cyclists to motor cycles and scooters does not add so much to demand for the latter than the move of people from two-wheelers to cars adds to the demand for cars. It also appears that those who buy two-wheelers depend more on loans; as interest rates have gone up and the Reserve Bank's pushing up of the cash reserve ratio has reduced banks' capacity to lend, the demand for two-wheelers has been strongly affected.

SANJAY SAKARIA

**Maruti may survive the imminent recession best, in which case it would have Jagdish Khattar to thank for its strong strategic position**

People's postponement of purchases of personal vehicles has been good for commercial carriers. Sales of buses and minibuses went up by 27 per cent in 2007-08. Sales of trucks and minitrucks went up by only 1 per cent. The priority given by the central government to the improvement of urban infrastructure also spilled over into increased demand for buses and minibuses. As times get harder, it would not be surprising if many people who had bought cars and motor cycles in better times went back to buses to save money. However, there is an encouraging trend away from three-wheelers to four-wheelers. Sales of passenger rickshaws fell by 2 per cent, while sales of goods carriers fell 21 per cent.

The more rapid decline of demand for goods vehicles may be due to the fact that their purchases depend more on credit availability and cost. But it also reflects the accelerating downturn in the real economy.

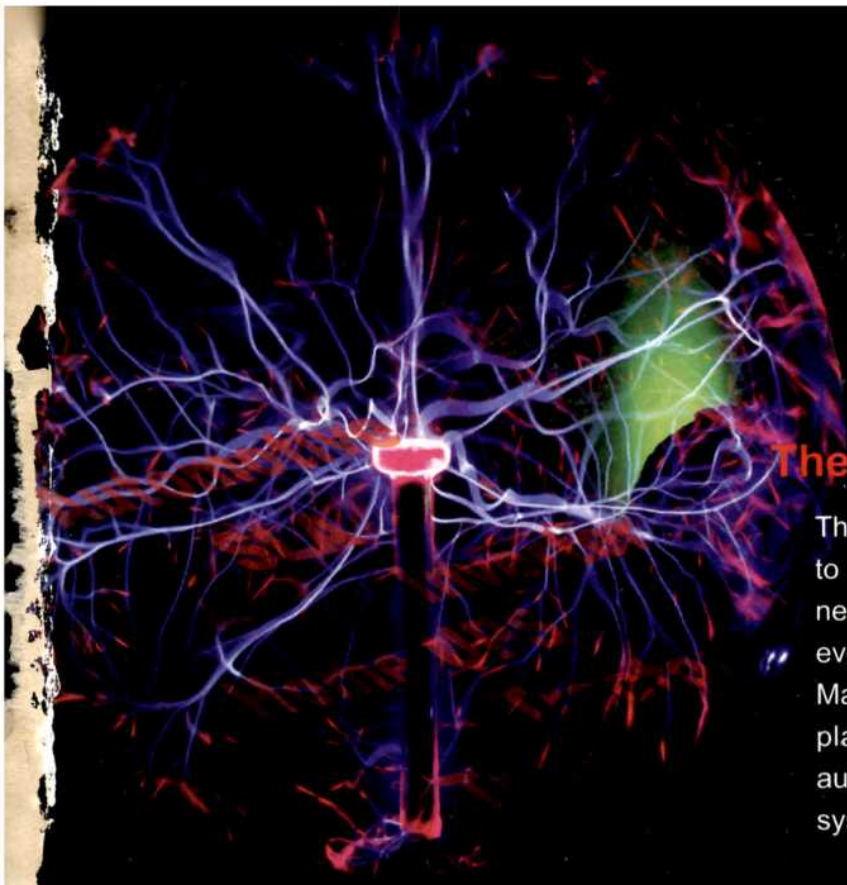
The sinking fortunes of the vehicle industry will be reflected in the coming weeks in the final accounts of the principal vehicle manufacturers. In fact, they will be magnified by the rise in steel prices, which will bear down on auto companies' margins.

Tata Motors is the most versatile of fou wheeler manufacturers, with a presence in cars utility vehicles, buses and cars. Sales of Indic are reported to have declined by 7 per cen sales of goods vehicles would have fared ever worse. Buses and minibuses may still carry th day for Tata Motors. But its ambitions ar global, and its financial requirements are goin to be vast. Modest performance in the domest market may thus have broader consequence for it. Ashok Leyland, which is more concen trated in passenger commercial vehicles, shoul be able to bear the bad times better.

The fall in two-wheeler sales could be cons quential for Hero Honda and Bajaj Auto, th two leading manufacturers. Both have bec conscious for some time of two-wheelers' d clining fortunes. Their strategy for dealing wi this problem has been to move into higher seg ments, which they believe to be less vulnerable Since the sales of a swanky new model before i is introduced are zero, it is bound to record high growth rates of sales in initial years. Its pricin would also generally give a higher margin. In troduction of new models becomes a prerequi site of surviving; but it cannot increase profit much in the face of falling sales. Both Hero an Bajaj have realized this and have made plans t move into cars. But they left it a bit too late. Th car market is going to be extremely competitiv in the coming years; entry in it is not going to b easy. TVS, with its smaller size and limited sta ble of models, would be even more vulnerable t the slowdown.

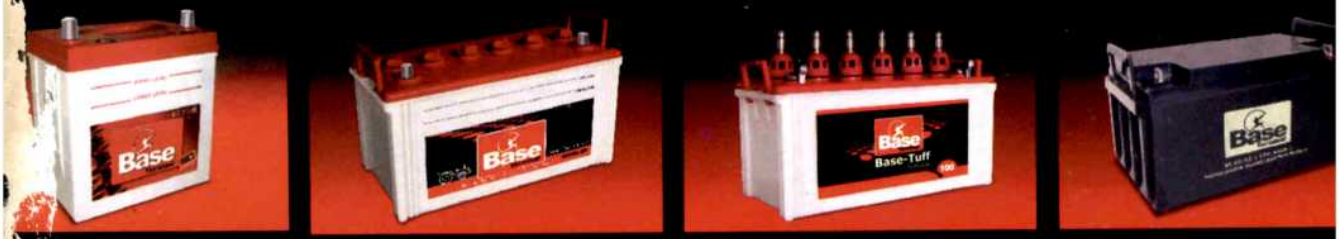
The survivor that comes out best out of th coming troubles may well be Maruti. Its pres ence in the goods carriage sector is minor; it i essentially a producer of passenger cars, whic have been the most protected in the ongoing de pression. It has also a highly diversified range c models; as its older models lose popularity, i can easily graduate buyers to its more recent of ferings. Maruti has not only come out best fron the foregoing boom, but is best prepared for th coming bust.

The credit for this must go to Suzuki, th owner of Maruti, but also to Jagdish Khattar who steered Maruti into this strong strategi position before he stepped down. A low-profil man who never showed off and did not cou the media, Khattar was almost unknown to th Indian public. But if there is an unsung hero o the Indian auto industry, it is him.



# The reliable power store

The power to surge ahead. The power to light up homes. Power for every need. A comprehensive range of ever-reliable batteries from **Base**. Manufactured at a state-of-the-art plant at Solan (HP). Be it for automobiles, Home inverters or UPS systems. It's life Powered By **Base**.




365 Days 24 Hrs

**Available at your nearest BASE Terminal - India's largest chain of battery showrooms**

**ranches:**

**ORTH - Delhi** : 011-39998000 (25 Lines) **Chandigarh** : 98145 365 24 **Punjab** : 98148 365 24 **Jammu** : 9419263069 **Jaipur** : 98280 365 24 **Ghaziabad** : h: 98719 95542 **Lucknow** : 93354 365 24, **Agra** : 98970 365 24 **Uttrakhand** : Ph: 99971 44554 **Haryana** : Ph: 98719 95538 **CENTRAL - Indore** : 98930 365 24 **lagpur**: 98227 365 24 **SOUTH - Bangalore** : 98440 365 24 **Chennai** : 98401 365 24 **Secunderabad** : 98490 365 24 **Palakkad** : 98473 365 24 **EAST - Kolkata** : 4330 365 24 **Jamshedpur** : 98350 365 24 **Bhubaneshwar** : 92383 365 24 **WEST - Mumbai** : 98206 365 24 **Pune** : 98231 365 24 **Ahmedabad** : 98250 365 24

For all India distributor / dealership enquiries pls call : Vinay +91 98719 95545

SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09, LICENSED TO POST WITHOUT PREPAY
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 RNI NO. 3984

COLORS OF SUMMER

ColorPlus
SMART CASUALS

MOST MEN LIKE IT STRAIGHT

Greet summer with shades of brilliance. Created from superfine cotton count of double fold 140s vat-dyed yarns, these straight striped shirts are golf-ball washed for that ultimate sun-kissed comfort.

Orange Ice

Sun Trail

Cranberry Ice

Ink Trail

White Crystal

rubecon

Available at all exclusive ColorPlus showrooms and other retail outlets. You can shop online at www.colorplusonline.com